SUGAR

1637-5

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 11135 and S. 2567

TO AMEND AND EXTEND THE PROVISIONS OF THE SUGAR ACT OF 1948, AS AMENDED

OCTOBER 14 AND 15, 1965

Printed for the use of the Committee on Finance

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THURSDAY, OCTOBER 14, 1965

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (presiding), Long, Smathers, Douglas, Gore, Talmadge, McCarthy, Hartke, Fulbright, Williams, Carlson, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The hearing today is on the House-passed bill H.R. 11135 and administration recommendations contained in S. 2567 to amend and extend the provisions of the Sugar Act of 1948. I shall place in the record copies of the two bills, a section-by-section analysis of the administration recommendations, and a brief description of the principal changes made by the House Committee on Agriculture as well as a committee memorandum giving the pertinent data relating to the operations of the U.S. sugar program.

(The material referred to follows:)

[H.R. 11135, 89th Cong., 1st sess.]

AN ACT To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2)(A) of subsection (a) are amended to read as follows:

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"*Area*	*Short tons, raw value*
Domestic beet sugar	3,025,000
Mainland cane sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	6,390,000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousands short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For the calendar year 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines, Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland and the Bahama Islands, among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere:

"Country	Per centum
Cuba	44.25
Mexico	8.41
Dominican Republic	8.41
Brazil	8.41
Peru	6.71
British West Indies	3.71
Ecuador	1.24
French West Indies	1.06
Colombia	1.06
Costa Rica	1.04
Nicaragua	.95
Guatemala	.81
Venezuela	.76
El Salvador	.75
Haiti	.71
Panama	.62
Argentina	.53
British Honduras	.49
Bolivia	.10
Honduras	.10

"(B) For countries outside the Western Hemisphere:

"Country	*Per centum*
Australia	4.00
Republic of China	1.66
India	1.60
South Africa	.78
Fiji	.60
Thailand	.49
Mauritius	.35
Swaziland	.15
Southern Rhodesia	.15
Malagasy Republic	.15

"(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of ten thousand short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: *Provided*, That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled with sugar produced in such country."

(4) Subsections (d), (e), and (f) are hereby amended and subsection (g) is added to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

"(i) any quantity of quota withheld from Cuba at a determination up to and including the amount of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

"(ii) any quantity of quota withheld from Cuba at a determination in excess of the amount of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph (3) (A) of subsection (c) that are members of the Organization of American States on the basis of the percentages stated therein.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (3) (A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B): *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced as follows:

(A) the quota established under section 202(b), and the quotas established under sections 202(c) and 202(d) (1) for any country having a quota at the end of the preceding year of less than two hundred thousand short tons, raw value, shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of such quota for the preceding calendar year: *Provided*, That in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar; and

(B) the quota established under section 202(c) and section 202(d) (1) for any such country having a quota at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 130 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction under either subparagraphs (A) or (B) shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) the reduction in quota for any country having a quota established under section 202(c) and section 202(d) (1) at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be limited, if the quota for any such country on July 1 of the year in which such quota was not filled is less than 130 per centum of its quota for the preceding calendar year to the larger of (1) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of the quotas for the preceding year or (2) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than such quota on July 1.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) (B) of this section, and in the case of Cuba under subsection (d) (1) (A) of this section, diplomatic relations have been resumed by the United

States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d)(2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c)(3)(A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries: *Provided*, That any deficit resulting from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: *And provided further*, That if any quota is restored to Cuba, the maximum per centum of 44.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under the foregoing provisions of this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c)(3)(B) or section 202(c)(4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(B) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined for any country listed in section 202(c)(3)(B), he shall allocate such unfilled amount to the countries so listed on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(B) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d)(1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended, (1) by inserting after the third sentence thereof the following two new sentences: "The Secretary is also authorized in making such allotments of a quota for the mainland cane sugar area for any calendar year after 1966 to take into consideration, in lieu or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation during each of the first two years of operation of a new sugarcane processing facility or mill that begins the production of sugar from sugarcane for the first time after the calendar year 1966. The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any non-affiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of a processor of sugarcane, other than a processor-refiner, who had a physical inventory of sugar on January 1, 1964, equal to 55 per centum or more of his 1963 crop production may be increased by an additional six thousand two hundred short tons of sugar, raw value: *Provided, further*, That the total increases in marketing allotments made to processors in the domestic beet sugar and mainland cane sugar areas pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each such area for each calendar year."; and (2) by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, and Panama may be filled by direct-consumption sugar to the extent of ten thousand short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama."

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar" and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protect the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (3) of subsection (b) is amended by inserting "(A)" after the figure (3) and by adding at the end of paragraph (3) the following subparagraph (B):

"(B) In order to make available acreage for the growth and expansion of the mainland cane industry by a new sugarcane processing facility, the Secretary is authorized to reserve each crop year for three consecutive crop years an amount of acreage estimated to yield twenty-five thousand short tons of sugar, raw value, from the acreage which would be allocated to sugarcane producers in the mainland cane sugar area for each of three consecutive crop years beginning not earlier than the year immediately following the first calendar year after 1965 for which the Secretary's determination of requirements of consumers pursuant to section 201 exceeds ten million four hundred thousand short tons, raw value: *Provided*, That the quantity allocated to the mainland cane sugar area for such calendar year pursuant to section 202(a)(2)(A) is not less than twenty-five thousand short tons of sugar, raw value. The acreage so reserved for each of the three consecutive crop years shall be distributed for each such crop year on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocation for establishing farm proportionate shares determined by him, on the condition that the sugarcane produced on such farms shall be delivered for each of such three consecutive crop years to the new processing facility in the locality to which reserve acreage is committed as hereafter provided. The Secretary shall commit the reserve acreage estimated by him to yield twenty-five thousand short tons of sugar, raw value, for each of the three consecutive crop years to the locality determined by him to receive the reserve, and such commitment of reserve shall be irrevocable upon issuance of the determination of such commitment by publication in the Federal Register; except that if the Secretary finds in any case that construction of the sugarcane processing facility has not proceeded in substantial accordance with the representations made to him as a basis for his determination of commitment of the reserve acreage, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In any State in the continental United States where there was no mill for commercially processing sugarcane into sugar in 1965, commitment of reserve acreage shall be made to the locality where sugarcane will be delivered from farms for the commercial recovery of sugar by a sugarcane processing facility or mill which begins operation for the first time. In determining commitment of the reserve acreage and if proposals are made to construct sugarcane processing facilities in two or more localities where sugarcane production is scheduled to commence in the same year or succeeding years, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarcane, the lack of proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. The commitment of reserve acreage shall be determined by the Secretary after investigation, the publication of notice and such informal public hearings, if any, as the Secretary deems appropriate under the prevailing circumstances."

(4) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(5) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than twenty-five thousand short tons of sugar, raw value, for each such crop to relieve hardship on the part of producers who planted sugarcane for the first time for harvest in the crop years 1964 and 1965 and in allocating such acreage the Secretary shall give consideration to the amount by which the acreage of sugarcane in 1965 exceeds the proportionate share for the 1965 crop; with first consideration in allocating such acreage to farms on which the 1965 crop proportionate share has been overplanted by more than 200 per centum in an amount sufficient to bring the proportionate shares of such farms up to the acreage growing: *Provided*, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965 crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph."

SEC. 11. (1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments until title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and re-established in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is amended to read as follows:

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act."

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 12. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 13. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966.

[S. 2567, 89th Cong., 1st sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2)(A) of subsection (a) are amended to read as follows:

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	*Short tons, raw value*
Domestic beet sugar	3,025,000
Mainland cane sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	6,390,000

"(2)(A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c)(1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less than the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(2) For individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere—

	Per centum
Cuba	57.77
Mexico	7.29
Dominican Republic	7.21
Peru	4.50
Brazil	4.14
British West Indies	2.28
Argentina	1.19
Ecuador	.93
Nicaragua	.76
Guatemala	.66
Costa Rica	.65
Colombia	.52
Haiti	.35
El Salvador	.32
Panama	.27
British Honduras	.08
Venezuela	.05

"(B) For countries outside the Western Hemisphere—

	Per centum
Australia	3.49
India	1.81
South Africa	1.81
China, Republic of	1.26
France, the French West Indies and Reunion	.95
Fiji Islands	.35
Mauritius	.28
Southern Rhodesia	.17
Swaziland	.17
Malagasy Republic	.14
Ireland	.04
Belgium	.03
Turkey	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the following:

"*Country*	*Short tons, raw value*
Australia	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium	788"

(4) Subsections (d), (e), and (f) are hereby amended to read as follows:
"(d) Notwithstanding any other provision of this Act—

"(1)(A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: *Provided*, That in no event shall the quota established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the following:

"*Country*	*Short tons, raw value*
Australia	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2)(A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(2)(A) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2)(A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United Staes resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B): *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country other than Ireland for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeding its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction shall be made if the county has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secreary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (2) (A) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (2) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (2) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) (2) (A) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determinnes will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, Belgium, and Panama may be filled by direct-consumption sugar to the extent of two thousands three hundred and eleven short tons, raw value, for Ireland; one hundred and eighty-two short tons, raw value, for Belgium; and three thousand eight hundred and seventeen short tons, raw value, for Panama."

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar" and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(4) Subsection (b) is amended by adding a new paragraph (8) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallotted to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released."

SEC. 11. Title IV of the Sugar Act of 1948, as amended, is amended as follows:

(1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is repealed.

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 12. Section 4501 (b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 13. The provisions of this Act shall become effective January 1, 1965.

SECTION-BY-SECTION ANALYSIS OF ADMINISTRATION'S RECOMMENDATIONS

Section 2. Determination of consumer requirements by the Secretary

Requires that the determination of consumer requirements be made by the Secretary during the last 3 months in each year (rather than in December under the present law) for the succeeding year, and that he use as a basis for the determination the quantity of sugar distributed for consumption during the 12-month period ending September 30 (rather than October 31).

Section 3. Domestic quotas

The basic quotas for the domestic beet sugar area and the mainland cane sugar area would be 3,025,000 and 1,100,000 short tons, raw value, respectively, instead of 2,650,000 and 895,000 short tons, raw value under the present law. Such quotas for these areas would be increased by 65 percent of the amount consumption requirements are in excess of 10,400,000 short tons, and decreased by 65 percent of the amount consumption requirements are less than 9,700,000 short tons.

Foreign quotas

(1) *Republic of the Philippines.*—To the present quota of 1,050,000 short tons, raw value, there would be added 10.86 percent of the amount, not exceeding 700,000 short tons, raw value, by which the determination of consumption requirements for the United States exceeds 9,700,000 short tons, raw value. The purpose of the change is to permit the Philippines to share in the "growth" of consumption requirements.

(2) *Foreign countries other than the Philippines.*—Specified percentage allocations (based on importations in 1963 and 1964, with single weighting for 1963 and double weighting for 1964) are established for named countries subject to quantity limitations for Australia, Belgium, France, the French West Indies and Réunion, and South Africa; allocation also would be made on a similar basis to such named countries of the Cuban quota; and any other foreign country quota or part thereof suspended by the President would be allocated to Western Hemisphere countries. Provision is made for the Secretary to acquire limited quantities of sugar on a first-come, first-served basis from foreign countries if the Secretary determines such quantities cannot as a practical matter be obtained by allocation as quotas to quota countries. Provision is made for withholding the Cuban quota during the period of suspension of diplomatic relations, and for withholding the quota or any part thereof for any foreign country when the President determines such withholding to be in the national interest of the United States.

(3) *Imports of sugar into a foreign country in excess of exports therefrom.*—Prohibits establishing a quota for any foreign country except Ireland for the year following a 24-month period in which the quantity of sugar imported into such country equaled or exceeded exports to countries other than the United States.

(4) *Reduction in quotas for foreign countries.*—Reduces subsequent years' quotas for a foreign country that fails to fill its quota and allocated deficits in any year, subject to exceptions where such failure was due to crop disaster or intervention of other similar events.

(5) *Reallocation of reductions in quotas.*—A quantity equal to the reductions under (3) and (4) above would be prorated in the same manner as deficits.

(6) *Restoration of quotas withheld.*—Restoration of a quota withheld by the President in the national interest would be as the President determines, provided he restores the entire quota by the third year after he finds that such restoration is no longer contrary to the national interest.

(7) *Reduction in domestic area and foreign quotas.*—Whenever any quota is reduced to restore a quota withheld from a foreign country by the President in the national interest, or because of a reduction in consumption requirement, any amount of sugar imported or marketed in excess of the reduced quota would be deducted from such quota for the next year.

(8) *Quantity import limitation.*—Provides for import quota limitations on a quarterly basis only and during the first and second quarters only of any calendar year if the Secretary determines such action is necessary to achieve the objectives of the act, provided such limitations shall not prevent importation of a country's entire quota as well as deficits allocated to it.

Section 4. Reallocation of deficits

Deficits determined by the Secretary in domestic area and foreign country quotas would be divided by 47.22 percent to the Republic of the Philippines and the remainder allocated to foreign countries in the Western Hemisphere on the basis of the quotas specified for such named countries. If any quota is restored to Cuba provision is made to reduce the share for the Philippines. Known deficits are to be allocated by August 1 of each year.

Section 5. Reduction in allotment of a quota when quota reduced

If allotments of a domestic quota are in effect at the time of a reduction in the quota, amounts marketed in excess of the reduced allotment would be disregarded in determining that person's allotment for the next year, and the allotment for such person for the next year would be reduced by the amount of such excess marketings.

Section 6. Sugar-containing products

Prescribes a limit upon the authority of the Secretary to reduce the quantity of a sugar-containing product which may be imported during any calendar year, and requires a determination that importation of the sugar-containing product would substantially interfere with the attainment of the objectives of the act before limitation may be imposed on the quantity imported.

Section 7. Limitations upon importation of direct-consumption sugar

Restates the present limitation upon direct-consumption sugar from the Philippines in short tons, raw value. Provides that none of the quota for any country other than the Philippines may be filled by direct-consumption sugar with the exception of Ireland, Belgium, and Panama, in the respective amounts of 2.811 short tons, 182 short tons, and 3,817 short tons.

Section 8. Importation into the Virgin Islands

Permits a person to import in any year up to 100 pounds of sugar into the Virgin Islands from any foreign country.

Section 9. Import fees

Repeals section 218, relating to import fees, which has now become obsolete.

Sections 10, 11, 12, 13. Miscellaneous

(1) Provision is made (i) for annual hearing to consider the need for farm proportionate shares, (ii) for limiting the sugarbeet acreage reserve to the years 1962 through 1966, (iii) for preserving sugarbeet production history where proportionate share acreage is released, and (iv) to utilize the facilities of Commodity Credit Corporation to disburse payments to domestic producers of sugarbeets and sugarcane.

(2) During any period when the provisions of title II are suspended by the President, the Secretary is required to estimate and publish consumption requirements and foreign country quotas on the basis provided in the act, and if a country fails to import into the United States the amount of such estimated quota, the quota established for such country in subsequent years would be reduced.

(3) Subsection (c) of section 408 (relating to the authority of the President to suspend the quota for any foreign country that expropriates property of a U.S. citizen) would be repealed.

(4) The act is extended for 5 years to December 31, 1971, and the related provisions of the Internal Revenue Code of 1954 are extended to June 30, 1972. All provisions of the bill would be effective January 1, 1965.

PRINCIPAL CHANGES MADE BY HOUSE IN ADMINISTRATION RECOMMENDATION

Section 3. Quotas

(1) Domestic quotas: Remain the same except that (1) for any calendar year after 1966 a reserve of 25,000 tons of sugar could be established from market growth for the mainland sugarcane area and allocated to a locality in terms of acres in a State in which there was no mill for processing sugar on a commercial basis in 1965, and (2) a national reserve of not to exceed 25,000 tons of sugar would be established in both beet and mainland cane areas for special consideration cases—additional marketing quota would be available to certain processors and additional acreage would be available to certain producers.

(2) Foreign quotas: Performance formula for allocating import quotas abandoned and quota changed for each country except Republic of the Philippines (see comparison which follows):

Although the House committee gave Ireland a quota of 10,000 tons other language in the bill precludes implementation of the quota. Bolivia, Thailand, and Honduras get quotas for the first time, and the Bahamas get a quota in 1968 if it can be used.

Cuba's participation was reduced from 57.77 to 44.25 percent. All increases in Cuban reserve resulting from increased requirements above 10 million tons to be prorated to OAS quota countries rather than all developing countries.

Should the requirements be increased and the Secretary determines that sugar is to be obtained on a first-come, first-served basis, he is required to give special consideration to countries agreeing to purchase for dollars additional agricultural commodities. (Such a finding would mean sugar was scarce and because of the time involved in getting bids, the barter type provision nullifies the value of the first-come provision).

(3) Deletes provision for import quota limitations on a quarterly basis, however, the committee report states that if the Secretary finds that adjustments in requirements determination does not achieve price objective, quarterly quotas for the first two quarters may be imposed under existing law.

Section 4. Reallocation of deficits

Deficits would be allocated on the same basis as provided in the administration bill, except that (1) non-Central American countries would not participate in deficits arising in Central American countries (Common Market countries) to the extent that other member countries could fill such deficits, and (2) deficits arising in countries outside the Western Hemisphere would be prorated among those countries, exclusive of the share for the Philippines.

Section 11. Miscellaneous

Subsection (c) of section 408 (relating to the authority of the President to suspend the quota for any foreign country that expropriates property of the United States) has been broadened and reinstated.

Comparison of foreign sugar quotas (when sugar requirements total 9,700,000 tons) as recommended by the administration and as passed by the House of Representatives

	Administration's recommendations	H.R. 11135	Change from administration's recommendation	
			Increase	Decrease
(A) For countries in the Western Hemisphere:				
Cuba [1]	0	0		
Mexico	390,135	340,925		49,210
Dominican Republic	385,854	340,925		44,929
Brazil	221,558	340,925	119,367	
Peru	240,824	272,013	31,189	
British West Indies	122,017	150,397	28,380	
Ecuador	49,770	50,267	497	
French West Indies	50,841	42,970		7,871
Colombia	27,829	42,970	15,141	
Costa Rica	34,786	42,159	7,373	
Nicaragua	40,672	38,511		2,161
Guatemala	35,321	32,836		2,485
Venezuela	2,676	30,809	28,133	
El Salvador	17,125	30,403	13,278	
Haiti	18,731	28,782	10,051	
Panama	14,449	25,134	10,685	
Argentina	63,683	21,483		42,200
British Honduras	4,281	19,864	15,583	
Bolivia	0	4,064	4,064	
Honduras	0	4,064	4,064	
Subtotal	1,720,554	1,859,483		
(B) For countries outside the Western Hemisphere: [2]				
Australia	186,772	162,152		24,620
Belgium	1,605	0		1,605
China, Republic of	67,431	67,293		138
India	96,865	64,861		32,004
Ireland	2,141	[3] 0		2,141
South Africa	96,865	29,593		67,272
Fiji Islands	45,489	24,323		21,166
Thailand	0	19,864	19,864	
Mauritius	14,985	14,188		797
Swaziland	9,098	6,081		3,017
Southern Rhodesia	9,098	6,081		3,017
Malagasy Republic	7,492	6,081		1,411
Turkey	1,605	0		1,605
Total	2,260,000	2,260,000		

[1] House Committee on Agriculture reduced Cuba's participation from 57.77 to 44.25 percent.

[2] Netherlands 0.25 percent and Paraguay 0.35 percent dropped.

[3] The committee granted a quota of 10,000 tons for Ireland, but the language in another provision precludes its implementation.

THE U.S. SUGAR PROGRAM

The sugar industry

Per capita consumption of refined sugar in the continental United States averages about 97 pounds per year. Over half of the tremendous quantity of sugar required to meet this consumer demand is being supplied by domestic growers of sugarcane and sugarbeets, only slightly less from beets than from cane. The balance, almost all cane sugar, is imported.

The mainland sugarcane producing area consists of the States of Louisiana and Florida. The offshore domestic sugarcane areas are the State of Hawaii, the Commonwealth of Puerto Rico, and the Virgin Islands. The sugarbeet producing area consists of the following 23 States (arranged in decreasing order of production importance in the 1964 crop): California, Colorado, Idaho, Minnesota, Nebraska, Michigan, Montana, Wyoming, Washington, North Dakota, Ohio, Utah, Texas, Kansas, Oregon, South Dakota, Iowa, Nevada, New Mexico, Illinois, New York, Indiana, and Maine.

Almost 40,000 domestic farms grow sugarcane or sugarbeets. To cultivate and harvest these sugar crops about 235,000 farmworkers are required, mostly on a seasonal basis. The farm investment in growing sugarcane and sugarbeets in all domestic areas was estimated as about $750 million in 1959 and has increased substantially since that time.

To produce the refined sugar commonly used in American households most sugar produced from sugarcane goes through two stages of processing. The first process, which yields raw cane sugar, is that of extracting, boiling, crystallizing and centrifuging the cane juice. This is done in raw cane sugar mills in the areas where the sugarcane is grown.

Blackstrap molasses and bagasse are byproducts of this first processing of sugarcane juice. The former is used for cattle feed and for manufacture of ethyl alcohol, yeast, vinegar, and citric acid. Bagasse, the fibrous portion of sugarcane, is used principally as fuel in the cane mills and as raw material in the manufacture of building board, cardboard, and paper.

Most of the cane sugar brought to the mainland from offshore areas, both foreign and domestic, is in the raw form. It is put through the second process—the refining process—in refineries, most of which are located in large port cities. A few refineries, however, are located in producing areas and a few are located at other interior points. Refined sugars, refiners' sirups, and refiners' blackstrap molasses result from this second process.

In contrast to the dual processing of cane sugar, sugar from beets is processed in a single plant. The principal byproducts are beet molasses and beet pulp. The pulp is used for cattle feed. Beet molasses, like blackstrap, is used as an ingredient in cattle feed, and in the manufacture of yeast and citric acid. A substantial quantity of beet molasses is put through the Steffen's process for additional extraction of sugar. The resultant Steffen's waste is used to produce monosodium glutamate, which is used to accent desirable flavors in foods.

In the domestic areas, 63 beet sugar factories, 110 cane sugar mills, and 28 refineries were in operation in 1964. Approximately 56,000 workers were employed in these sugarmaking plants. Two additional beet sugar factories will begin operations for the 1965 crop and two more are scheduled to begin operations for the 1966 crop.

THE SUGAR ACT AND HOW IT WORKS

How the act developed

For almost 150 years—from 1789 to 1934—the U.S. sugar industry was protected and regulated almost solely by tariff duties. With the onset of the worldwide depression in the early 1930's, however, it became clear the the industry had become so ramified and price and production relationships among domestic and foreign producing areas so complex that further adjustments in the tariff duties would no longer provide an adequate answer to the problem.

To meet this situation, the Jones Costigan Act was approved by the President on May 9, 1934. Although there have been modifications made in various operating provisions, the basic philosophy underlying this Act has been carried forward in subsequent legislation. The act set forth six principal means for dealing with the sugar problem:

(1) The determination each year of the quantity of sugar needed to supply the Nation's requirements at prices reasonable to consumers and fair to producers;

(2) The division of the U.S. sugar market among the domestic and foreign supplying areas by the use of quotas and subordinate limitations on offshore direct-consumption sugar;

(3) The allotment of these quotas among the various processors in each domestic area;

(4) The adjustment of production in each domestic area to the established quotas;

(5) The use of tax receipts to finance payments to compensate growers for adjusting production to marketing quotas and to augment income; and

(6) The equitable division of sugar returns among beet and cane processors, growers, and farmworkers.

The Jones-Costigan Act was superseded by the Sugar Act of 1937, which in turn was superseded by the Sugar Act of 1948. The latter, with modifications made by amendments in 1951, 1956, 1960, 1961, and 1962, has been extended through December 30, 1966, except that quotas for foreign countries, the import fee, and certain related provisions were established only through 1964.

The amendments in 1960, 1961, and 1962 provided for setting aside the quota for any country with which the United States is not in diplomatic relations. These amendments were prompted by the revolution in Cuba which had been our principal foreign sugar supplier since early in this century. The 1962 amendments also provided until the end of 1964 for recovering, through a fee, part of the price advantage otherwise accruing to our foreign suppliers from the quota system.

With the expiration of the foreign quota provisions (except for the Philippines) the Secretary, using the general powers of the law, prorated 1965 quotas to foreign countries on the basis of their performance in contributing toward our import needs in 1963 and 1964 with double weighting to 1964. These prorations included the Cuban reserve (global quota) as the authority for the "global quota" and the import fee also expired and no import fee could be applied to importations in 1965. Foreign countries were placed on notice that more than half their 1965 quota prorations stemmed from the Cuban reserve.

TABLE 1.—*Proration of quotas for calendar year 1965 as of Sept. 22, 1965*

[Short tons, raw value]

Production area	Quotas and prorations	Direct consumption limits
Domestic beet area	2,650,000	(1)
Mainland cane area	895,000	(1)
Hawaii	1,127,970	31,806
Puerto Rico	[2] 940,000	139,500
Virgin Islands	15,232	0
Total, domestic area	5,628,202	171,306
Republic of the Philippines	[3] 1,114,412	59,920
Subtotal	6,742,614	231,226
Argentina	68,367	0
Australia	200,307	0
Belgium	1,937	182
Brazil	237,118	0
British Honduras	4,505	0
British West Indies	130,874	0
China	72,436	0
Colombia	30,103	0
Costa Rica	37,393	0
Dominican Republic	413,256	0
Ecuador	53,037	0
El Salvador	18,575	0
Fiji Islands	48,823	0
France	6,103	0
French West Indies	46,014	0
Guatemala	37,636	0
Haiti	19,907	0
India	103,919	0
Ireland	2,398	2,398
Malagasy Republic	7,871	0
Mauritius	16,008	0
Mexico	418,341	0
Nicaragua	43,520	0
Panama	15,548	3,817
Peru	257,946	0
Reunion	2,373	0
South Africa	103,862	0
Southern Rhodesia	9,542	0
Swaziland	9,648	0
Turkey	1,574	0
Venezuela	2,858	0
Total, foreign excluding Philippines	2,421,798	6,397
Quota deficits: Western Hemisphere countries [4]	135,588	....
Total	9,300,000	237,623

[1] No limit.
[2] Adjusted for deficits. Unadjusted quota for Puerto Rico was 1,140,000 short tons, raw value.
[3] Includes 64,412 short tons, raw value, of quota deficit.
[4] Allocated on pro rata basis—All countries agreed to purchase agricultural commodities.

HOW THE ACT WORKS

The Sugar Act of 1948, as amended, is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade. These three objectives are achieved through the adjustment of supplies of sugar that may be marketed in the United States.

The determination of sugar requirements

Under provisions of the act, the Secretary of Agriculture determines how much sugar will be needed to fill continental U.S. requirements during each calendar year. The determination, which is made in December for the year following but may be revised later if the needs change, establishes the quantity of sugar that may be marketed in the United States during the year.

In making his initial estimate the Secretary uses as a basis the quantity of sugar distributed during the preceding 12-month period ended October 31. Then he makes allowances for deficiencies or surpluses in the Nation's sugar inventories and for changes in consumption caused by changes in population and in demand conditions. The Secretary also considers the relationship between prices for raw sugar and the parity index (index of prices paid by farmers) so that sugar prices will be neither excessive to consumers nor too low to protect the welfare of the domestic sugar industry.

The Secretary must also determine requirements for consumption in Hawaii and Puerto Rico so that the general price and marketing objectives will be similar in all American markets.

ESTABLISHING QUOTAS FOR DOMESTIC AND FOREIGN PRODUCING AREAS

After the Secretary has determined overall requirements, domestic and specified foreign producing areas supplying the United States with sugar are assigned quotas representing their shares of the market as specified by the act.

Under the quota provisions enacted in 1962, the domestic sugar-producing areas are assigned a base of 5,810,000 short tons, raw value,[1] plus 65 percent of requirements in excess of 9,700,000 tons. Such increases are shared by the domestic beet sugar area and the mainland cane sugar area in proportion to their basic quotas, or approximately on a three-fourths and one-fourth basis, respectively. Provision is made to increase quotas for Hawaii and Puerto Rico when the need has been demonstrated, such increases to be offset by reducing the quantity prorated to foreign countries other than the Republic of the Philippines.

Beginning in 1962, the quota for the Republic of the Philippines is fixed at 1,050,000 tons of sugar, or about 70,000 tons, raw value, more than was previously provided for in both the Philippine Trade Agreement and the Sugar Act. Quotas for other specified foreign countries were established as percentages of the requirements remaining after the quotas for domestic areas and the Philippines have been established.

The proration to the various domestic and specified foreign supply areas (1962–64) at the basic level of requirements (9,700,000 tons) and from each 100,000-ton increase above this level is shown in table 2.

[1] "Raw value" is the term used in the Sugar Act to express in a common unit the various types of raw and refined sugars that move in commerce. One ton of refined sugar equals 1.07 tons of sugar, raw value.

TABLE 2.—*Proration of quotas under Sugar Act Amendments of 1962—Applicable 1962–64*

Area	When quotas total 9,700,000 tons	Each 100,000 tons in excess of 9,700,000 tons total
Domestic:		
Domestic beet sugar	2,650,000	48,589
Mainland cane sugar	895,000	16,411
Hawaii	1,110,000	0
Puerto Rico	1,140,000	0
Virgin Islands	15,000	0
Total domestic	5,810,000	65,000
Foreign:		
Philippines	1,050,000	0
Cuba	[1] 1,484,121	20,220
Peru	189,804	2,348
Dominican Republic	[2] 319,804	2,348
Mexico	189,804	2,348
Brazil	180,186	2,230
British West Indies	90,235	1,116
Australia	39,884	494
Republic of China	35,075	435
French West Indies	29,984	371
Colombia	29,984	371
Nicaragua	24,892	308
Costa Rica	24,892	308
Ecuador	24,892	308
India	20,084	248
Haiti	20,084	248
Guatemala	20,084	248
South Africa	20,084	248
Panama	14,992	185
El Salvador	10,183	126
Paraguay	9,900	123
British Honduras	9,900	123
Fiji Islands	9,900	123
Netherlands	9,900	123
Other countries	1,332	0
Ireland	10,000	0
Argentina	[3] 20,000	0
Total	3,890,000	35,000
Grand total	9,700,000	100,000

[1] Percentage proration reduced 150,000 tons to cover added allocations to Dominican Republic and Argentina. Balance of proration, not made while United States is not in diplomatic relations with Cuba, becomes "global quota."
[2] Includes 130,000 tons allocated from proration for Cuba.
[3] Allocated from proration for Cuba.

Whenever the United States is not in diplomatic relations with any country (currently Cuba), any quota otherwise specified for it under the act through 1964 was not granted. The quantity so withheld was designated as "global quota" to be filled by competitive imports of raw sugar from any country which, for the current and next preceding year, was a net exporter of sugar. The act required that in authorizing such "global" importations, special consideration was to be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

Most of the quotas for the domestic offshore and foreign supply areas could be filled only with raw sugar, which is defined as sugar which is to be further refined or improved in quality on the mainland. Other sugar is called direct-consumption sugar, and includes primarily white refined and other types of sugar familiar in home consumption.

Prior to 1960, about 650,000 tons of direct-consumption sugar were entered from offshore domestic and foreign areas each year. In 1960, the quantity was much smaller, in 1961 only one-half as large, and under the 1962 amendments the total has been reduced to about 240,000 tons, almost all of it to come from offshore domestic areas and the Republic of the Philippines.

Unrestricted imports of refined sugar would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the United States.

Fees which were applicable to foreign sugar

Importations to replace quotas not granted because of lack of diplomatic relations were subject to a fee approximately equal to the difference between a price in the United States that would fulfill the objectives of the act and the price at which sugar was available for import. Thus the fee, at the full rate, diverted to the U.S. Treasury amounts roughly comparable to the so-called premium that foreign countries otherwise would receive on sales to the United States as compared with sales to most other countries. No fee was applicable to imports under quota from the Philippines.

Fees lower than the full premium rate applied to importations within basic quotas for foreign countries other than the Philippines and to all importations to fill deficit allocations resulting from the inability of any domestic area or foreign country to fill its basic quota. The rates for such importations of raw sugar were 10, 20, and 30 percent of the full rates for 1962, 1963, and 1964, respectively. Rates for sugar for direct consumption were 0.1-, 0.2-, and 0.3-cent per pound more than for raw sugar in the same annual succession.

The import fee became effective about the first of August 1962 and remained in effect until the latter part of January 1963 when the world price went above the U.S. price, on a comparable basis. During the period, approximately $37 million were collected. For almost a year and a half the world market remained above the U.S. price. A fee was again imposed in August 1964 and remained in effect until the end of 1964 when the legislative authority for the fee expired. During this period, only about $4 million were collected because practically all of our 1964 import requirements had been committed at the beginning of the year when the world price was well above the domestic price and no fee was required.

Deficits in quotas

If the Secretary finds that any domestic area or foreign country cannot supply its quota, he must allocate the deficit to other foreign countries. First he is required to increase the quota for the Republic of the Philippines by a proportionate amount. The remainder then is allocated to Western Hemisphere countries having basic quota prorations, with special consideration given to countries purchasing U.S. agricultural commodities. Quantities that the Republic of the Philippines or other Western Hemisphere countries having basic quota prorations could not fill were treated as quantities similar to the global quota.

A deficit determination for a domestic area or the Republic of the Philippines does not deprive the area of the right to supply its full basic quota if it later is able to do so.

Establishing marketing allotments

One important function of the sugar program is to promote orderly marketing. The establishment of quotas and import fees, alone, may not accomplish this when supplies in domestic producing areas materially exceed quotas. If, for example, a domestic area has more sugar available for marketing than its quota, each of the various processors is likely to rush sugar to market to make sure that he disposes of his supply before the quota is filled. This tends to bring about a temporary oversupply, panicky sellers, and an unwarranted decline in price.

If the Secretary finds that the pressure of supplies in an area is likely to cause disorderly marketing, he must allot the quota fairly among the processors. The allotment is based on past marketings of sugar by the various processors, their ability to market sugar during the season for which the allotment is being made, and on their sugar processings from beets or cane to which proportionate farm shares pertain. Marketing allotments for both the domestic beet sugar and mainland cane sugar areas were in effect for the calendar year 1964 and are again in effect for the 1965 calendar year.

Assigning proportionate shares

In the domestic areas, the Secretary must, in addition to establishing processor allotments, see that each sugar-producing farm gets its fair share of the available market. In dividing this market the Secretary must allow for enough sugar to fill the quota for the applicable year and to provide a normal carryover inventory. If the crop prospect is for this or a smaller amount of sugar, production is unrestricted on all farms. Each farm allotment, known as its "proportionate share," is expressed either in acres, tons of sugarcane or beets, or quantity of sugar.

The purpose in assigning specific shares to farms in a particular area is to adjust crop output to the area's quotas and normal carryover and to assure that each farm will share equitably in this adjustment. Thus, past production and the ability of the farm to produce beets or cane during the year for which the determination is being made must be considered.

The act also requires the Secretary to protect the interests of small and new producers and producers who are tenants or sharecroppers, and to consider the interest of producers in any local producing area where past production has been seriously affected by abnormal and uncontrollable natural conditions.

Individual farm restrictions were established for the 1965 mainland sugarcane crop at a level of about 13 percent below the 1964 crop. The 1965 crop of sugarbeets is also restricted with established growers being cut about 10 percent below their 1964 crop plantings. Growers delivering beets to new plants in new localities could not be cut back as acreage committed under the acreage reserve provisions is guaranteed for 2 years following the year of commitment.

Producers are not required to stay within their assigned proportionate shares. They must do so, however, if they wish to receive conditional payments as authorized under the act. These payments are an important part of their income. Generally too, processors do not buy sugarcane or sugarbeets from nonproportionate share acreage (except

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for production of sugar for livestock feed) because sugar produced from such acreage is not considered in establishing marketing allotments for the processors.

Sugarbeet acreage reserves for new producing localities

Amendments to the Sugar Act in 1962 included provisions for sugarbeet acreage reserves to be used primarily for new production areas. Each year for the period 1962–66, the acreage required to yield 65,000 short tons, raw value, of sugar was reserved and has been committed to localities for new factories and to certain localities for expansion of existing factories.

Pursuant to this provision the Secretary has committed acreage to six localities where new factories have been constructed or are now being constructed. Commitments were also made to three processing companies for plant expansion.

Conditional payments to growers

In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the conditional payments have three objectives: (1) to help give growers adequate income from sugarcane and sugarbeet production; (2) to assure growers and their fieldworkers a fair share of the returns to the sugar industry; and (3) to prevent the employment of child labor in fieldwork.

The first objective is automatically achieved by the payment itself. The second and third objectives are attained by requiring growers, in addition to complying with their proportionate shares, to pay fieldworkers in full for work performed on cane or beets at rates not less than those determined by the Secretary to be fair and reasonable, to observe child labor provisions specified by the act, and—if they are processors as well as growers—to pay fair prices for cane or beets purchased from other growers.

The child labor provisions require that growers must not employ children under the age of 14 nor permit them to work on sugarbeets or sugarcane. Children between the ages of 14 and 16 may not be employed or permitted to work for more than 8 hours a day. Growers who own at least 40 percent of the crop they are cultivating are exempted from these provisions with respect to their own children. Unless a grower observes these conditions he is penalized by a deduction of $10 from his payment for each day or part of a day during which each such child was employed or permitted to work.

The rate of the conditional payment declines as the volume of commercially recoverable sugar contained in the cane or beets marketed by the farm increases. The basic rate of 0.8 cent a pound of sugar, raw value, or $16 a ton, it paid on the first 350 short tons produced. This rate is reduced progressively to a minimum of 0.3 cent a pound, or $6 a ton, on all sugar produced in excess of 30,000 tons.

The sugar program also gives limited benefits to growers in the form of special conditional payments for crop deficiency or abandonment caused by drought, flood, storm, freeze, disease, or insects. For a farmer to be eligible for these payments, the natural disaster must cause damage to all or a substantial part of the crop throughout the local producing area in which the farm is located.

Receipts.—There is an excise tax of 50 cents per hundred pounds of sugar, raw value, on all sugar consumed in the United States within the quota system. The collections of this tax from 1938 through the fiscal year 1964 have exceeded total expenditures under the sugar program (including direct payments to growers) by more than $500 million. This figure does not include the collections of the tariff of 62½ cents per pound, raw value (currently applicable), nor the collections of the variable import fee provided by the 1962 amendments.

Program administration

The State and county agricultural stabilization and conservation (ASC) committees are responsible for local administration of both the farm proportionate share (acreage allotment) and the conditional payment parts of the program. This local administration is based on procedures and program regulations developed by the Agricultural Stabilization and Conservation Service in Washington and approved by the ASCS Administrator.

All regulations issued under the authority of the Sugar Act are announced by press release. They are published in the Federal Register a few days later. They are codified as title 7, chapter VIII of the Code of Federal Regulations.

Certain regulations must be preceded by public hearings. These are marketing allotment orders, the distribution of the sugarbeet acreage reserve to new producing localities, fair price and fair wage determinations, and the determination of processes and qualities which distinguish raw sugar from direct-consumption sugar.

Other regulations may be issued without public hearings. However, informal public hearings are customarily held when restrictive proportionate share regulations for individual farms are under consideration.

Prices and consumer benefits

The limitation that the quota system puts on total marketings on sugar in the United States under most circumstances makes prices to consumers enough higher than might otherwise prevail to fairly maintain the domestic sugar industry. The quota system, also, in the past has assured supplies adequate to maintain reasonable prices to consumers even when sugar prices were extremely high in the so-called free world market. The large supplies and cooperation of Cuba (before the Castro revolution) provided the assured supplies and stable prices. In more recent years, the desire of numerous countries to establish marketing rights in the United States has been the principal factor.

STATISTICAL DATA ON SUGAR

TABLE I.—*Final adjusted sugar quotas including deficit allocations by countries and Cuban reserve ("global quota"), 1948–65*

[In short tons, raw value]

Country	1948	1949	1950	1951	1952	1953	1954	1955	1956
Domestic areas	[1] 2,955,913	[1] 3,798,174	[1] 4,668,000	[1] 4,124,785	[1] 4,054,556	[1] 4,355,439	[1] 4,439,319	4,444,000	4,801,500
Republic of the Philippines	[1] 240,000	[1] 557,000	[1] 532,000	[1] 782,000	[1] 774,000	[1] 874,000	974,000	977,000	980,000
Argentina	0	0	0	0	0	0	0	0	0
Australia	0	0	0	0	0	0	0	0	0
Belgium	0	0	0	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0	0	0
British Honduras	0	0	0	0	0	0	0	0	0
British West Indies	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	0
China, Republic of	0	0	0	0	0	0	0	0	0
Colombia	0	0	0	0	0	0	0	0	0
Costa Rica	0	0	0	0	0	0	0	0	0
Cuba	[2] 2,940,467	[2] 3,092,976	[2] 3,430,580	[2] 2,947,175	[2] 3,025,295	[2] 2,759,281	[2] 2,723,401	2,859,840	3,089,760
Dominican Republic	[2] 15,231	[2] 12,353	[2] 21,839	[2] 13,123	[2] 13,866	[2] 28,703	[2] 29,401	[2] 32,525	[2] 42,329
Ecuador	0	0	0	0	0	0	0	0	0
El Salvador	[2] 7,607	[1] 1,067	[1] 0	[1] 0	[1] 0	[1] 0	[1] 0	[1] 0	[1] 0
Fiji Islands	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0	0
French West Indies	0	0	0	0	0	0	0	0	0
Guatemala	0	0	0	0	0	0	0	0	0
Haiti	[2] 1,924	[2] 1,372	[2] 3,020	[2] 1,691	[2] 1,916	[2] 2,777	[1] 2,635	[2] 3,147	[2] 4,097
Hong Kong	0	0	0	0	0	0	0	0	0
India	0	0	0	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	0	0	0
Malagasy Republic	0	0	0	0	0	0	0	0	0
Mauritius	0	0	0	0	0	0	0	0	0
Mexico	[2] 8,351	[2] 9,526	[1] 1,849	[1] 72	[1] 2,505	[2] 11,901	[2] 12,191	[2] 13,485	[1] 12,042
Netherlands	0	0	0	0	0	0	0	0	0
Nicaragua	[1] 2,122	[1] 5,244	[1] 6,248	[1] 0	[1] 3,765	[2] 8,134	[1] 7,832	8,387	[1] 4,530
Panama	0	0	0	0	0	0	0	0	0
Paraguay	0	0	0	0	0	0	0	0	0
Peru	[2] 25,385	[2] 21,589	[2] 36,400	[2] 21,131	[2] 23,110	[2] 53,986	[2] 55,302	55,658	[1] 59,305
Réunion	0	0	0	0	0	0	0	0	0
South Africa	0	0	0	0	0	0	0	0	0
Southern Rhodesia	0	0	0	0	0	0	0	0	0
Swaziland	0	0	0	0	0	0	0	0	0
Turkey	0	0	0	0	0	0	0	0	0
United Kingdom	0	0	0	0	0	0	0	0	0
Venezuela	0	0	0	0	0	0	0	0	0
Unspecified countries	[2] 0	[1] 199	[2] 14	[1] 23	[1] 987	[2] 5,779	[2] 5,919	5,958	6,437
Unalloted	3,000	500	50	10,000	0	0	0	0	0
Cuban reserve	0	0	0	0	0	0	0	0	0
Total quotas	7,200,000	7,500,000	8,700,000	7,900,000	7,900,000	8,100,000	8,250,000	8,400,000	9,000,000

TABLE I.—*Final adjusted sugar quotas including deficit allocations by countries and Cuban reserve ("global quota"), 1948–65*—Continued

Country	1957	1958	1959	1960	1961	1962	1963	1964	1965 [3]
Domestic areas	[1] 4,702,619	[1] 4,634,393	[1] 4,925,608	[1] 5,131,500	[2] 5,351,500	[1] 5,276,000	[1] 5,653,463	[1] 5,650,832	5,815,711
Republic of the Philippines	[1] 930,000	980,000	980,000	980,000	980,000	[2] 1,085,000	[2] 1,247,618	[2] 1,173,521	1,050,000
Argentina	0	0	0	0	0	10,000	20,000	20,000	65,897
Australia	0	0	0	0	0	16,543	43,339	40,366	193,069
Belgium	[2] 188	[2] 221	182	182	182	182	182	182	1,867
Brazil	0	0	0	0	0	[2] 225,865	195,793	182,363	228,550
British Honduras	0	0	0	0	0	0	10,758	[1] 974	4,342
British West Indies	[2] 87	[2] 102	84	84	84	[2] 172,525	[2] 141,630	91,325	126,145
Canada	[2] 652	[2] 766	631	631	631	316	[1] 0	[1] 0	0
China, Republic of	[2] 3,485	[2] 4,253	3,624	4,218	3,980	16,441	38,114	35,499	69,819
Colombia	0	0	0	0	0	[2] 36,147	82,581	30,346	29,015
Costa Rica	[1] 0	[1] 1,123	3,616	4,202	3,968	[2] 20,346	[2] 27,653	[2] 37,393	36,041
Cuba	[2] 3,127,028	[2] 3,437,582	[2] 3,215,457	2,419,655	[1] 0	[1] 0	[1] 0	[1] 0	0
Dominican Republic	[2] 62,454	[2] 86,831	81,457	130,957	111,157	[2] 364,158	[2] 407,545	[2] 370,889	398,323
Ecuador	0	0	0	0	0	[2] 56,226	[2] 29,649	25,193	51,121
El Salvador	0	0	0	0	0	[2] 14,471	[2] 13,010	10,306	17,904
Fiji Islands	0	0	0	0	0	4,104	10,758	10,020	47,059
France	0	0	0	0	0	0	0	0	5,882
French West Indies	0	0	0	0	0	[2] 31,230	[2] 33,526	[2] 30,346	44,352
Guatemala	0	0	0	0	0	[2] 28,103	[2] 34,395	25,392	36,276
Haiti	[2] 6,333	[2] 8,005	7,014	9,105	8,268	[2] 35,695	[2] 28,985	20,326	19,188
Hong Kong	3	[2] 4	3	3	3	2	[1] 0	[1] 0	0
India	0	0	0	0	0	8,325	21,823	20,326	100,164
Ireland	0	0	0	0	0	5,000	10,000	10,000	2,311
Malagasy Republic	0	0	0	0	0	0	0	0	7,685
Mauritius	0	0	0	0	0	0	0	0	15,430
Mexico	[2] 44,586	[2] 66,266	64,809	115,809	95,409	[1] 51,689	[2] 365,966	[2] 255,435	403,225
Netherlands	[2] 3,551	[2] 4,359	3,731	4,427	4,149	1,970	0	0	0
Nicaragua	[1] 10,275	[2] 15,628	14,027	19,766	17,471	[2] 18,696	27,048	25,193	41,947
Panama	[2] 3,485	[2] 4,253	3,624	4,218	3,980	1,901	[1] 16,290	[1] 8,832	14,986
Paraguay	0	0	0	0	0	4,104	10,758	0	0
Peru	[2] 79,721	86,867	95,827	138,827	121,507	[2] 290,550	206,243	[2] 201,418	248,625
Réunion	0	0	0	0	0	0	0	0	2,288
South Africa	0	0	0	0	0	8,325	21,823	20,326	100,108
Southern Rhodesia	0	0	0	0	0	0	0	0	9,197
Swaziland	0	0	0	0	0	0	0	0	9,300
Turkey	0	0	0	0	0	0	0	0	1,517
United Kingdom	[2] 533	[2] 626	516	516	516	258	[1] 0	[1] 0	0
Venezuela	0	0	0	0	0	0	0	0	2,755
Unspecified countries	0	0	0	0	0	0	0	0	0
Unalloted	0	0	0	0	0	9,224	15,392	503,197	0
Cuban reserve	0	0	0	[2] 1,435,900	3,297,195	[2] 2,206,613	[2] 1,725,658	[2] 1,000,000	0
Total quotas	8,975,000	9,231,279	9,400,000	10,400,000	10,000,000	10,000,000	10,400,000	9,800,000	9,200,000

[1] Reflects reduction because of deficits.
[2] Reflects increase from allocation of deficits.
[3] Not final but as of June 1, 1965. Does not reflect deficit of about 300,000 tons in Puerto Rico, which when declared will have effect of transferring that quantity from domestic area quotas to foreign country quotas.

TABLE Ia.—*Final adjusted sugar quotas including deficit allocations for each domestic area, 1948–65*

Year	Beet sugar	Mainland cane sugar	Hawaii	Puerto Rico	Virgin Islands	Total, domestic areas
1948	[2] 1,687,738	[1] 413,260	[1] 825,000	[2] 1,023,756	[2] 6,159	[1] 3,955,918
1949	[1] 1,500,000	[2] 548,773	[1] 652,000	[2] 1,091,401	6,000	[1] 3,798,174
1950	[2] 1,899,000	[2] 546,861	[1] 1,160,594	[2] 1,060,545	[2] 11,000	[2] 4,668,000
1951	[1] 1,700,000	500,000	[1] 962,000	[1] 956,479	[2] 6,306	[1] 4,124,785
1952	[1] 1,560,000	[2] 533,296	[1] 972,000	[2] 982,860	[2] 6,400	[1] 4,054,556
1953	[1] 1,620,000	[2] 517,921	[2] 1,088,882	[2] 1,117,351	[2] 12,416	[1] 4,355,439
1954	[2] 1,803,099	[2] 500,861	[1] 1,043,000	[2] 1,081,859	[1] 10,500	[1] 4,439,319
1955	1,800,000	500,000	1,052,000	1,080,000	12,000	4,444,000
1956	[2] 1,955,401	[2] 601,696	[2] 1,091,305	[2] 1,141,098	[1] 12,000	4,801,500
1957	[2] 2,070,694	[2] 637,172	[2] 1,060,000	[1] 920,000	[1] 14,753	[1] 4,702,619
1958	[2] 2,292,488	[2] 720,805	[1] 700,000	[1] 815,000	[1] 6,100	[1] 4,534,393
1959	[2] 2,267,665	[2] 697,783	[1] 997,970	[1] 969,875	[1] 12,405	[1] 4,925,698
1960	[2] 2,514,945	[2] 778,673	[1] 940,444	[1] 893,620	[1] 8,618	[1] 5,131,500
1961	[2] 2,609,170	[2] 715,000	[1] 1,030,000	[1] 960,000	17,330	5,351,500
1962	[1] 2,500,000	[1] 795,000	[1] 1,080,000	[1] 890,000	[1] 11,000	[1] 5,276,000
1963	[1,3] 2,698,590	1,009,873	[1] 1,070,000	[1] 870,000	15,000	[1] 5,663,463
1964	2,698,590	911,410	1,110,000	[1] 915,000	15,832	[1] 5,650,832
1965 [4]	2,650,000	895,000	1,115,479	[4] 1,140,000	15,232	5,815,711

[1] Reflects reduction because of deficits.
[2] Reflects increase from allocation of deficits.
[3] Despite declaration of deficit, 2,966,000 tons were marketed because area retains its basic quota rights.
[4] As of June 1, 1965. Does not reflect deficit of about 300,000 tons in Puerto Rico, which when declared will have effect of transferring that quantity from domestic area quotas to foreign country quotas.

TABLE II.—*Production and disposition of sugar in countries which exported to the United States, 1961–64*

Country	Total land area (one thousand square miles)	Population (thousands)	Crop year sugar production (thousand short tons, raw value)				Local sugar consumption (thousand short tons, raw value)				Net sugar exports (thousand short tons, raw value)			
			1961–62	1962–63	1963–64	1964–65	1961	1962	1963	1964 [1]	1961	1962	1963	1964 [1]
Republic of the Philippines	116	30,331	1,618	1,714	1,920	2,000	394	448	470	525	1,356	1,256	1,195	1,217
Argentina	1,073	21,762	754	858	1,157	1,063	806	926	787	872	205	36	375	80
Australia	2,971	10,965	1,512	2,000	1,934	2,017	616	637	641	657	906	1,287	1,270	1,400
Belgium	12	9,221	500	383	402	525	373	390	391	420	124	72	13	10
Brazil	3,286	77,521	3,934	3,576	3,606	3,939	3,085	3,268	3,180	3,100	863	491	581	307
British Honduras	9	96	29	31	38	43	2	3	3	3	28	26	27	30
British West Indies	91	3,897	1,331	1,442	1,346	1,520	159	160	165	173	1,230	1,172	1,240	1,210
China, Republic of	14	11,884	948	873	860	815	143	130	124	152	720	747	762	900
Colombia	455	15,098	380	449	399	485	354	407	376	410	54	76	50	28
Costa Rica	23	1,338	76	96	101	127	43	47	50	53	30	24	38	41
Dominican Republic	19	3,334	939	847	970	1,000	87	125	123	132	825	890	698	835
Equador	116	4,726	137	149	130	170	99	105	111	114	56	67	56	68
El Salvador	8	2,721	73	68	72	85	46	48	48	48	16	21	20	23
Fiji Islands	7	428	183	279	331	330	17	16	19	20	152	224	288	342
France	213	48,133	1,878	1,795	218	2,277	1,558	1,769	1,801	1,840	546	287	539	210
French West Indies	1	573	307	287	252	277	14	13	14	15	258	277	275	243
Guatemala	42	4,095	133	152	158	160	91	84	86	106	8	37	52	68
Haiti	11	4,448	64	67	70	75	37	40	40	41	44	38	40	15
India	1,261	449,381	3,693	2,979	3,449	3,800	2,642	3,165	2,922	3,100	326	420	563	300
Malagasy Republic	228	5,862	102	102	129	130	39	43	42	45	41	67	77	75
Mauritius	1	701	605	587	808	614	30	30	30	31	565	567	640	630
Mexico	758	38,416	1,647	1,870	2,089	2,368	1,274	1,373	1,453	1,569	631	394	435	536
Nicaragua	57	1,529	89	111	105	120	45	50	54	58	30	44	38	50
Panama	29	1,117	30	40	54	63	25	27	30	33	6	4	13	19
Paraguay	157	1,903	34	38	43	45	38	34	40	42	4	0	2	2
Peru	514	10,420	857	904	882	915	293	309	325	342	661	528	547	472
Réunion	1	349	250	225	280	250	8	8	9	9	214	238	229	250
South Africa [2]	472	17,075	1,174	1,277	1,359	1,479	757	728	780	837	314	528	686	660
Southern Rhodesia	150	4,010	40	94	129	180	90	99	105	110	0	0	44	80
Turkey	296	30,256	518	467	565	725	397	433	478	509	303	173	52	158
Venezuela	352	8,255	271	292	339	378	262	275	287	315	0	0	55	0
Total	12,743	819,845	24,106	24,052	26,195	27,975	13,824	15,190	14,984	15,681	10,516	9,991	10,900	10,289

[1] Preliminary. [2] Includes Swaziland.

TABLE III.—*Sugar: Exports to the United States, other preferential, and world markets, 1961–64* [1]

Country	Exports to United States (thousand short tons, raw value)				Exports to other preferential markets (thousand short tons, raw value)				Exports to world market (thousand short tons, raw value)				Value of sugar exports as a percent of value of total exports, 1960–62 average
	1961	1962	1963	1964 [2]	1961	1962	1963	1964 [2]	1961	1962	1963	1964 [2]	
Republic of the Philippines	1,325	1,265	1,178	1,217	0	0	0	0	0	0	0	0	25.1
Argentina	5	18	216	20	0	0	0	0	201	18	158	40	.8
Australia	91	201	185	217	752	733	812	703	122	421	333	480	3.3
Belgium	4	10	8	5	0	0	0	0	124	70	72	5	.2
Brazil	323	399	460	184	0	0	0	0	498	129	76	123	4.2
British Honduras	0	0	2	6	29	27	27	25	0	0	0	0	25.0
British West Indies	272	186	143	142	1,009	1,024	1,126	1,068	0	0	0	0	22.4
China, Republic of	187	99	70	81	0	0	0	0	545	574	680	819	30.6
Colombia	47	66	44	28	0	0	0	0	4	6	0	0	.9
Costa Rica	33	26	38	41	0	0	0	0	0	0	0	0	3.5
Dominican Republic	380	903	589	412	0	0	0	0	495	29	151	423	47.9
Ecuador	36	70	52	58	0	0	0	0	17	0	0	10	2.9
El Salvador	12	19	19	21	0	0	0	0	2	3	4	2	1.6
Fiji Islands	0	16	49	54	172	214	253	288	0	0	0	0	59.4
French West Indies	73	61	94	37	182	217	185	206	10	12	10	0	37.7
Guatemala	0	39	52	41	0	0	0	0	8	1	1	27	1.8
Haiti	45	39	41	15	0	0	0	0	0	0	0	0	11.1
India	167	144	119	111	0	0	0	0	154	303	447	189	1.5
Malagasy Republic	0	0	0	12	21	35	40	40	29	32	37	23	6.0
Mauritius	0	14	67	0	592	558	591	619	0	22	12	11	89.1
Mexico	673	386	379	470	0	0	0	0	1	0	37	66	6.1
Nicaragua	31	45	50	39	0	0	0	0	0	0	0	0	4.6
Panama	6	4	11	19	0	0	0	0	0	0	0	0	(3)
Paraguay	4	0	5	0	0	0	0	0	0	0	0	2	(3)
Peru	602	510	413	242	0	0	0	0	7	0	117	230	11.2
Réunion	0	11	10	0	238	209	205	194	16	34	30	56	80.0
South Africa [4]	0	136	126	120	295	233	330	290	48	202	240	262	2.6
Southern Rhodesia	0	0	13	10	0	0	38	70	1	0	0	0	(3)
Turkey	0	93	0	0	0	0	0	0	308	68	49	158	4.0
Venezuela	0	0	12	0	0	0	0	0	0	0	43	0	0
Total	4,316	4,760	4,445	3,602	3,290	3,250	3,607	3,503	2,590	1,924	2,497	2,926	----------

[1] Excludes France and net sugar importing countries of Canada, Hong Kong, Iceland, the Netherlands, and United Kingdom.
[2] Preliminary.
[3] Less than 0.05 percent.
[4] Includes Swaziland.

Table III(a).—*Exports to other preferential markets by countries which also supply the United States, 1964*

[Short tons, raw value]

	Guaranteed price		Tariff preferential				Total
	Metropolitan France	United Kingdom	United Kingdom	Canada [1]	New Zealand [2]	Malaysia [3]	
Australia	...	[4] 382	125	141	55	...	703
British Honduras	...	[4] 23	...	2	...	...	25
Brithish West Indies	...	[4] 765	...	303	...	...	1,068
Fiji Islands	...	[4] 153	30	48	35	22	288
Mauritius	...	[4] 427	32	154	...	6	619
Southern Rhodesia	...	...	51	19	...	...	70
South Africa	...	[5] 179	...	111	...	...	290
French West Indies	[6] 206	...	...	...	...	...	206
Malagasy Republic	[6] 40	...	...	...	...	...	40
Réunion	[6] 194	...	...	...	...	...	194
Total	440	1,929	238	778	90	28	3,503

[1] Approximately 1 cent per pound tariff preference.
[2] None at present.
[3] Approximately 0.625 cents per pound tariff perference.
[4] 5.8 cents per pound, c.i.f. London.
[5] 4.45 cents per pound f.o.b. South Africa.
[6] 8.5 cents, c.i.f., France, for direct-consumption sugar.

TABLE IV.—*U.S. sugar imports charged to (1) basic quota and deficit reallocation sugar; and (2) nonquota purchase and global quota sugar, 1961–64*

[In short tons, raw value]

Country	1961 Basic and deficit	1961 Nonquota purchase and global	1961 Total	1962 Basic and deficit	1962 Nonquota purchase and global	1962 Total	1963 Basic and deficit	1963 Nonquota purchase and global	1963 Total	1964 Basic and deficit	1964 Nonquota purchase and global	1964 Total
Republic of the Philippines	962,403	292,513	1,254,916	1,073,763	182,401	1,256,164	1,194,833	0	1,194,833	1,171,124	46,269	1,217,393
Argentina	0	0	0	9,757	0	9,757	18,867	209,701	228,568	19,751	0	19,751
Australia	0	90,055	90,055	16,675	131,949	148,624	43,217	180,367	223,584	40,366	174,732	215,098
Belgium	182	1,449	1,631	182	1,681	1,863	181	7,365	7,546	180	0	180
Brazil	0	206,402	206,402	208,622	182,535	391,157	188,126	281,696	469,822	182,363	0	182,363
British Honduras	0	0	0	0	0	0	1,712	0	1,712	974	5,014	5,988
British West Indies	83	265,845	265,928	171,257	10,404	181,661	141,356	0	141,356	91,029	51,199	142,228
Canada	631	1,265	1,896	316	3,338	3,654	0	0	0	0	0	0
China, Republic of	3,980	166,046	170,026	16,418	105,055	121,473	38,114	33,155	71,269	34,042	47,114	81,156
Colombia	0	46,049	46,049	35,866	30,261	66,127	0	45,030	45,030	28,292	0	28,292
Costa Rica	3,973	25,915	29,888	18,529	8,100	26,629	27,653	12,984	40,637	19,720	20,806	40,526
Dominican Republic	111,609	221,796	333,405	363,184	498,339	861,523	392,441	197,558	589,999	366,696	31,766	398,462
Equador	0	35,999	35,999	50,079	16,782	66,861	28,326	28,156	56,482	25,074	32,846	57,920
El Salvador	0	11,467	11,467	14,155	4,982	19,137	12,306	6,649	18,955	10,326	10,245	20,571
Fiji Islands	0	0	0	4,104	11,650	15,754	10,619	37,946	48,565	9,981	44,636	54,617
France	0	0	0	0	0	0	0	22,935	22,935	0	845	845
French West Indies	0	75,000	75,000	31,052	12,654	43,706	33,526	60,771	94,297	30,342	3,944	34,286
Guatemala	0	9,781	9,781	26,354	6,516	32,870	34,395	16,655	51,050	17,620	19,631	37,251
Haiti	8,087	37,001	45,088	32,967	1,380	34,347	28,868	11,555	40,423	14,957	0	14,957
Hong Kong	3	17	20	2	41	43	0	0	0	0	0	0
India	0	170,868	170,868	8,275	136,402	144,677	21,325	97,638	118,963	20,326	90,227	110,553
Ireland	0	0	0	4,990	4,987	9,977	9,973	0	9,973	0	0	0
Malagasy Republic	0	0	0	0	0	0	0	0	0	0	11,559	11,559
Mauritius	0	0	0	0	13,475	13,475	0	66,605	66,605	0	0	0
Mexico	92,848	580,706	673,554	39,957	357,617	397,574	358,304	21,075	379,379	255,521	224,599	480,120
Netherlands	4,142	5,838	9,980	1,970	5,349	7,319	0	0	0	0	0	0
Nicaragua	10,947	19,578	30,525	16,236	30,893	47,129	23,216	15,176	38,392	25,079	25,261	50,340
Panama	3,980	3,157	7,137	1,219	2,555	3,774	9,949	234	10,183	8,832	10,384	19,216
Paraguay	0	3,440	3,440	0	0	0	0	0	0	0	0	0
Peru	122,529	503,054	625,583	256,049	274,263	530,312	205,437	207,981	413,418	199,665	33,115	232,780
Réunion	0	0	0	0	0	0	0	9,893	9,893	0	0	0
South Africa [1]	0	0	0	8,326	84,765	93,091	21,823	110,449	132,272	20,326	99,634	119,960
Southern Rhodesia	0	0	0	0	0	0	0	10,589	10,589	0	10,260	10,260
Turkey	0	0	0	0	65,304	65,304	0	6,578	6,578	0	0	0
United Kingdom	516	1,034	1,550	258	1,484	1,742	0	0	0	0	0	0
Venezuela	0	0	0	0	0	0	0	11,907	11,907	0	0	0
West Germany	0	0	0	0	1	1	0	0	0	0	0	0
Total	1,325,913	2,974,275	4,300,188	2,410,562	2,185,163	4,595,725	2,844,567	1,710,648	4,555,215	2,592,586	993,986	3,586,572

[1] Includes Swaziland.

TABLE V.—*Monthly spot prices of domestic and world sugar with quota premiums or discounts on comparable basis*

[In cents per pound]

	Domestic [1]	World [2]	Quota premiums or discounts [3]
1961			
January	6.30	3.03	+2.44
February	6.32	2.97	+2.45
March	6.25	2.97	+2.40
April	6.25	3.14	+2.20
May	6.46	3.35	+2.18
June	6.48	3.20	+2.33
July	6.39	3.05	+2.36
August	6.06	2.80	+2.29
September	6.06	2.69	+2.41
October	6.19	2.73	+2.50
November	6.29	2.53	+2.80
December	6.40	2.46	+2.98
Calendar year	6.30	2.91	+2.45
1962			
January	6.45	2.30	+3.23
February	6.37	2.36	+3.10
March	6.43	2.65	+2.88
April	6.43	2.69	+2.86
May	6.43	2.60	+2.96
June	6.45	2.63	+2.94
July	6.39	2.92	+2.69
August	6.54	3.24	+2.42
September	6.43	3.18	+2.37
October	6.52	3.28	+2.35
November	6.44	3.65	+1.90
December	6.54	4.29	+1.36
Calendar year	6.45	2.98	+2.58
1963			
January	6.70	6.41	+0.40
February	6.80	6.06	−.15
March	7.04	6.67	−.47
April	8.25	7.65	−.26
May	11.08	10.36	−.19
June	8.70	9.92	−2.12
July	7.95	9.05	−2.00
August	6.65	6.63	−.88
September	7.45	7.63	−1.00
October	9.42	10.67	−2.18
November	9.34	11.63	−3.23
December	8.78	10.36	−2.53
Calendar year	8.18	8.50	−1.23
1964			
January	9.20	10.64	−2.36
February	8.02	9.11	−2.03
March	7.33	7.43	−1.08
April	7.43	8.05	−1.54
May	6.65	7.12	−1.39
June	6.45	5.33	+.20
July	6.25	4.80	+.53
August	6.18	4.37	+.89
September	6.20	3.71	+1.57
October	6.27	3.70	+1.65
November	6.17	3.40	+1.85
December	6.55	2.76	+2.87
Calendar year	6.90	5.87	+.11
1965			
January	6.85	2.41	+3.52
February	6.79	2.25	+3.61
March	6.61	2.63	+3.04
April	6.59	2.40	+3.26
May	6.73	2.35	+3.42

[1] Spot price No. 7 contract, bulk sugar at New York, duty paid.
[2] Spot price No. 8 contract, bagged sugar, f.o.b. and stowed at greater Caribbean ports, including Brazil.
[3] Domestic price adjusted to comparable basis with world price by deducting duty, freight, insurance, unloading charges, and adding bag allowance before calculating differential from world price.

TABLE VI.—*U.S. sugar imports exclusive of quota exempt sugar, 1961–64*

[In short tons, raw value]

Country of origin	1961	1962	1963	1964	4 years, 1961–64		3 years, 1962–64		2 years, 1963–64	
					Total	Average	Total	Average	Total	Average
Republic of the Philippines	1,354,916	1,256,164	1,194,833	1,217,393	5,023,306	1,255,826	3,668,390	1,222,797	2,412,226	1,206,113
Argentina	0	9,757	228,568	19,751	258,076	64,519	258,076	86,025	248,319	124,160
Australia	90,055	148,624	223,584	215,098	677,361	169,340	587,306	195,769	438,682	219,341
Belgium	1,631	1,863	7,546	180	11,220	2,805	9,589	3,196	7,726	3,863
Brazil	306,402	391,157	469,822	182,363	1,349,744	337,436	1,043,342	347,781	652,185	326,092
British Honduras	0	0	1,712	5,988	7,700	1,925	7,700	2,567	7,700	3,850
British West Indies	265,928	181,661	141,356	142,228	731,173	182,793	465,245	155,082	283,584	141,792
Canada	1,896	3,654	0	0	5,550	1,388	3,654	1,218	0	0
China, Republic of	170,026	121,473	71,269	81,156	443,924	110,981	273,898	91,300	152,425	76,212
Colombia	46,049	66,127	45,030	28,292	185,498	46,374	139,449	46,483	73,322	36,661
Costa Rica	29,888	26,629	40,637	40,526	137,680	34,420	107,792	35,930	81,163	40,582
Dominican Republic	333,405	861,523	589,999	398,462	2,183,389	545,847	1,849,984	616,661	988,461	494,230
Ecuador	35,999	66,861	56,482	57,920	217,262	54,316	181,263	60,421	114,402	57,201
El Salvador	11,467	19,137	18,955	20,571	70,130	17,532	58,663	19,554	39,526	19,763
Fiji Islands	0	15,754	48,565	54,517	118,836	29,709	118,836	39,612	103,082	51,541
France	0	0	22,935	845	23,780	5,945	23,780	7,927	23,780	11,890
French West Indies	75,000	43,706	94,297	34,286	247,289	61,822	172,289	57,429	128,583	64,292
Guatemala	9,781	32,870	51,050	37,251	130,952	32,738	121,171	40,390	88,301	44,150
Haiti	45,088	34,347	40,423	14,957	134,815	33,704	89,727	29,909	55,380	27,690
Hong Kong	20	43	0	0	63	16	43	14	0	0
India	170,868	144,677	118,963	110,553	545,061	136,265	374,193	124,731	229,516	114,758
Ireland	0	9,977	9,973	0	19,950	4,988	19,950	6,650	9,973	4,986
Malagasy Republic	0	0	0	11,559	11,559	2,890	11,559	3,853	11,559	5,780
Mauritius	0	13,475	66,605	0	80,080	20,020	80,080	26,693	66,605	33,302
Mexico	673,554	397,574	379,379	480,120	1,930,627	482,657	1,257,073	419,024	859,499	429,750
Netherlands	9,980	7,319	0	0	17,299	4,325	7,319	2,440	0	0
Nicaragua	30,525	47,129	38,392	50,340	166,386	41,596	135,861	45,287	88,732	44,366
Panama	7,137	3,774	10,183	19,216	40,310	10,078	33,173	11,058	29,399	14,700
Paraguay	3,440	0	0	0	3,440	860	0	0	0	0
Peru	625,583	530,312	413,418	232,780	1,802,093	450,523	1,176,510	392,170	646,198	323,099
Réunion	0	0	9,898	0	9,898	2,473	9,893	3,298	9,893	4,946
South Africa	0	93,091	132,272	119,960	345,323	86,331	345,323	115,108	252,232	126,116
Southern Rhodesia	0	0	10,589	10,260	20,849	5,212	20,849	6,950	20,849	10,424
Turkey	0	65,304	6,578	0	71,882	17,970	71,882	23,961	6,578	3,289
United Kingdom	1,550	1,742	0	0	3,292	822	1,742	581	0	0
Venezuela	0	0	11,907	0	11,907	2,977	11,907	3,969	11,907	5,954
West Germany	0	1	0	0	1	0	1	0	0	0
Total	4,300,188	4,955,725	4,555,215	3,586,572	17,037,700	4,259,424	12,737,512	4,245,838	8,141,787	4,070,893

TABLE VII.—*Entries and marketings of sugar in continental United States from all areas, 1900 to date*

[In thousands of short tons, raw value]

Year [1]	Total	Continental United States [2]		Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba [3]	Other foreign countries
		Beet	Mainland cane						
1900	2,418	92	312	252	36	(1)	25	353	1,348
1901	2,963	198	364	345	69	(1)	2	550	1,435
1902	2,574	233	373	360	92	(1)	6	492	1,018
1903	3,143	258	278	387	113	(1)	9	1,198	900
1904	3,023	259	415	368	130	(1)	31	1,410	410
1905	3,118	335	390	416	136	(1)	39	1,029	773
1906	3,359	518	273	373	205	(1)	35	1,391	564
1907	3,701	496	394	411	204	(1)	13	1,618	565
1908	3,381	456	415	539	285	(1)	19	1,155	512
1909	3,870	548	332	511	244	(1)	42	1,431	622
1910	3,789	546	355	555	285	(1)	88	1,755	205
1911	3,801	642	361	506	323	(1)	115	1,674	180
1912	3,927	742	163	603	367	(1)	218	1,593	241
1913	4,382	784	301	543	383	(1)	102	2,156	113
1914	4,431	773	247	557	321	(1)	58	2,463	12
1915	4,718	935	139	640	294	(1)	163	2,392	155
1916	5,000	878	311	569	425	(1)	109	2,575	133
1917	4,808	819	246	581	489	6	134	2,335	198
1918	4,430	814	285	540	336	4	87	2,280	84
1919	5,352	777	122	579	364	10	88	3,343	69
1920	6,337	1,165	176	550	418	18	146	2,831	993
1921	5,412	1,091	327	541	469	6	165	2,590	223
1922	6,807	722	296	568	360	6	275	4,527	53
1923	5,831	943	172	519	342	2	238	3,426	189
1924	6,463	1,166	90	677	393	2	339	3,692	104
1925	6,934	977	142	755	600	11	493	3,923	33
1926	7,024	960	48	747	559	6	380	4,280	44
1927	6,809	1,170	72	777	574	6	531	3,650	29
1928	6,691	1,135	136	878	674	11	575	3,249	33
1929	7,597	1,089	218	882	507	3	711	4,149	28
1930	6,683	1,283	215	868	809	6	794	2,645	63
1931	6,727	1,343	206	998	796	2	872	2,482	28
1932	6,303	1,319	160	1,048	940	5	1,028	1,791	12
1933	6,381	1,406	315	990	793	[illegible]	1,249	1,578	40
1934	6,674	1,662	268	948	807	[illegible]	1,088	1,866	30
1935	6,277	1,478	319	927	793	2	917	1,830	11
1936	6,883	1,364	459	1,033	907	4	985	2,102	29
1937	6,860	1,245	491	985	896	8	991	2,155	89
1938	6,619	1,448	449	906	815	4	981	1,941	75
1939	7,436	1,809	557	966	1,126	6	980	1,930	62
1940	6,443	1,550	406	941	798	0	981	1,750	17
1941	8,009	1,952	411	903	993	5	855	2,700	190
1942	5,555	1,703	407	751	836	0	23	1,796	39
1943	6,466	1,524	460	866	642	3	0	2,857	114
1944	6,942	1,155	515	802	743	3	0	3,618	106
1945	5,997	1,043	417	740	903	4	0	2,803	87
1946	5,657	1,379	445	633	867	5	0	2,282	46
1947	7,759	1,574	383	842	969	3	0	3,943	45
1948	7,084	1,656	456	714	1,013	4	252	2,927	62
1949	7,588	1,487	557	769	1,091	4	525	3,103	52
1950	8,279	1,749	522	1,145	1,053	11	474	3,264	61
1951	7,758	1,730	457	941	959	6	706	2,946	13
1952	7,991	1,560	579	972	983	6	860	2,980	51
1953	8,282	1,749	518	1,082	1,118	12	932	2,760	111
1954	8,240	1,802	501	1,040	1,082	10	974	2,718	113
1955	8,396	1,797	500	1,052	1,080	10	977	2,862	118
1956	8,992	1,955	601	1,091	1,135	13	982	3,089	126
1957	8,916	2,066	636	1,037	912	15	906	3,127	217
1958	9,076	2,240	630	680	823	6	980	3,438	279
1959	9,240	2,241	578	977	958	12	980	3,215	279
1960	9,522	2,165	619	845	896	7	1,155	2,390	1,445
1961	9,731	2,607	784	1,045	980	16	1,355	0	2,944
1962	9,797	2,415	787	1,084	904	11	1,256	0	3,340
1963	10,515	2,965	1,072	1,033	875	15	1,195	0	3,360
1964	9,109	2,699	905	1,110	793	16	1,217	0	2,369

[1] Data on fiscal year basis, 1900-18; calendar year basis, 1919 to date.
[2] Crop year production, 1900-30—marketings for this period not available.
[3] Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 263,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; and 1947, 230,000 tons.

TABLE VIII.—*Entries (imports) of sugar into the continental United States from foreign countries other than Cuba and the Republic of the Philippines, 1960 to date*

[In thousands of short tons, raw value]

Country of origin	1960	1961	1962	1963	1964
Argentina	1	0	10	229	20
Australia	0	90	149	224	215
Belgium	1	2	2	7	0
Brazil	101	306	391	470	182
British Honduras	0	0	0	2	6
British West Indies	93	266	182	141	142
Canada	2	2	4	0	0
China, Republic of	10	170	121	71	81
Colombia	0	46	66	45	28
Costa Rica	11	30	27	41	41
Dominican Republic	450	833	861	590	398
Ecuador	0	36	67	56	58
El Salvador	6	11	19	19	21
Fiji Islands	0	0	16	49	55
France	0	0	0	23	1
French West Indies	0	75	44	94	34
Guatemala	6	10	33	51	37
Haiti	33	45	34	40	15
Hong Kong	0	0	0	0	0
India	0	171	145	119	111
Ireland	0	0	10	10	0
Malagasy Republic	0	0	0	0	12
Mauritius	0	0	13	67	0
Mexico	400	673	308	379	480
Netherlands	10	10	7	0	0
Nicaragua	40	30	47	38	50
Panama	6	7	4	10	19
Paraguay	0	3	0	0	0
Peru	274	636	530	413	232
Réunion	0	0	0	10	0
South Africa	0	0	93	132	120
Southern Rhodesia	0	0	0	11	10
Turkey	0	0	65	7	0
United Kingdom	2	2	2	0	0
Venezuela	0	0	0	12	0
West Germany	0	0	0	0	0
Total	1,445	2,944	3,340	3,360	2,360

TABLE IX.—*Final basic quotas, Sugar Act of 1948, 1st year of act, each major extension, and recent years*

[In short tons, raw value]

Area or country	1948	1953	1957	1960	1962	1963	1964
Total U.S. requirements	7,200,000	8,100,000	8,975,000	10,400,000	10,000,000	10,400,000	9,800,000
Domestic beet	1,800,000	1,800,000	1,948,357	2,267,301	2,795,769	2,990,127	2,689,590
Mainland cane	500,000	500,000	599,528	697,670	944,231	1,009,873	911,410
Hawaii	1,052,000	1,052,000	1,087,373	1,265,375	1,110,000	1,110,000	1,110,000
Puerto Rico	910,000	1,080,000	1,136,987	1,323,111	1,140,000	1,140,000	1,140,000
Virgin Islands	6,000	12,000	15,505	18,043	15,000	15,000	15,832
Philippines	982,000	974,000	980,000	980,000	1,050,000	1,050,000	1,050,000
Cuba	1,923,480	2,574,720	2,993,897	2,419,655	0	0	0
Other foreign countries	26,520	107,280	213,353	432,945	[1] 738,387	[1] 1,459,342	[1] 1,370,307
Withheld from Cuba for allocation to other countries				995,900	2,206,613	1,625,658	1,503,861
Total	7,200,000	8,100,000	8,975,000	10,400,000	10,000,000	10,400,000	9,800,000

[1] Includes allocation to Argentina of 10,000 tons in 1962 and 20,000 tons in 1963 and 1964 and allocation to the Dominican Republic of 65,000 tons in 1962 and 130,000 tons in 1963 and 1964. These allocations were made from the Cuban reserve by Presidential Proclamation 3485 of July 27, 1962, pursuant to sec. 202(c)(4)(B) of the act.

TABLE IX (a).—*Proration of quotas for foreign countries other than Cuba and the Republic of the Philippines*

[In short tons, raw value]

Country	1948	1953	1957	1960	1962	1963	1964
Peru	5,903.6	50,109	77,124	138,827	132,939	206,243	192,096
Dominican Republic	3,542.2	26,641	60,420	130,957	191,834	336,243	322,096
Mexico	3,204.1	11,046	43,134	115,809	118,734	206,243	192,096
Nicaragua	5,429.2	7,550	11,588	19,766	18,193	27,048	25,193
Netherlands	115.7	----	3,435	4,427	1,970	----	----
Haiti	489.5	2,578	6,127	9,105	12,145	21,823	20,326
China	} 153.0	{ ----	3,371	4,218	16,441	38,114	35,499
Hong Kong		----	3	3	2	----	----
Canada	299.7	----	631	631	316	----	----
United Kingdom	186.2	----	516	516	258	----	----
Belgium	156.3	----	182	182	182	182	182
Dutch East Indies	112.3	----	----	----	----	----	----
Guatemala	177.9	----	----	----	8,325	21,823	20,326
Honduras	1,823.3	----	----	----	----	----	----
El Salvador	4,360.3	3,992	----	----	4,221	11,065	10,306
Venezuela	154.0	----	----	----	----	----	----
Czechoslovakia	139.8	----	----	----	----	----	----
Costa Rica	11.0	----	3,367	4,202	12,215	27,048	25,193
Panama	----	----	3,371	4,218	8,116	16,290	8,832
British Guiana and British West Indies	----	----	84	84	37,447	98,050	91,325
Brazil	.7	----	----	----	74,694	195,793	182,363
Australia	.1	----	----	----	16,534	43,339	40,366
French West Indies	----	----	----	----	12,430	32,581	30,346
Colombia	.2	----	----	----	12,430	32,581	30,346
Ecuador	----	----	----	----	10,319	27,048	25,193
India	----	----	----	----	8,325	21,823	20,325
South Africa	----	----	----	----	8,325	21,823	20,326
Argentina	7.7	----	----	----	10,000	20,000	20,000
British Honduras	----	----	----	----	4,104	10,758	974
Fiji Islands	----	----	----	----	4,104	10,758	10,020
Ireland	----	----	----	----	5,000	10,000	10,000
Paraguay	----	----	----	----	4,104	10,758	----
Other countries	[1] 3.1	----	----	----	----	----	----
Unallotted reserve or unspecified countries	250.0	5,364	----	----	4,680	11,908	36,577
Total	26,520.0	107,280	213,353	432,945	[2] 837,387	[2] 1,459,342	[2] 1,370,307

[1] Italy, 1 ton; Japan, 2.1 tons.

[2] Includes allocations to Argentina of 10,000 tons in 1962 and 20,000 tons in 1963 and 1964 and allocation to the Dominican Republic of 65,000 tons in 1962 and 130,000 tons in 1963 and 1964. These allocations were made from the Cuban reserve by Presidential Proclamation 3485 of July 27, 1962, pursuant to sec. 202(c)(4)(B) of the act.

NOTE.—Except as indicated in footnote 2, this table does not include global allocations to countries from the Cuban reserve.

TABLE X.—*Sugar Act tax collections, 1938 to date*

Fiscal year	Sugar tax collections [1]		
	Excise tax [2]	Import tax [3]	Total
1938	$30,569,130	$2,680,298	$33,249,428
1939	65,414,058	3,494,627	68,908,685
1940	68,145,358	5,456,207	73,601,565
1941	74,834,839	4,859,760	79,694,599
1942	68,220,803	4,098,963	72,318,766
1943	53,551,777	3,520,064	57,071,841
1944	68,783,910	5,097,940	73,880,850
1945	73,293,966	3,522,414	76,846,380
1946	56,731,986	3,231,592	59,963,578
1947	59,151,922	5,115,447	64,267,369
1948	71,246,834	3,284,502	74,531,336
1949	76,174,356	4,698,867	80,873,223
1950	71,188,029	4,091,155	75,279,184
1951	80,191,884	3,613,479	83,805,363
1952	78,473,191	3,621,210	82,094,401
1953	78,129,860	5,005,959	83,135,819
1954	73,885,000	4,498,368	78,383,368
1955	78,512,000	4,177,097	82,689,097
1956	82,894,000	4,806,321	87,700,321
1957	86,091,000	4,305,501	90,396,501
1958	85,911,000	4,957,798	90,868,798
1959	86,378,000	5,683,187	92,061,187
1960	89,856,000	5,099,473	94,955,473
1961	91,818,000	1,730,380	93,548,380
1962	96,636,000	1,328,980	97,964,980
1963	99,903,000	762,600	[4] 100,665,600
1964	95,411,000	380,300	[5] 95,791,300
Total tax collections, 1938–64			$2,144,533,392

[1] Imposed at a rate of 0.465 cent per pound on sugar testing 92 sugar degrees and for each additional sugar degree 0.00375 cent per pound additional (equivalent to 0.50 and 0.535 cent per pound on sugar testing 96 and 100 sugar degrees, respectively). On sugar testing less than 92 sugar degrees the rate is 0.5144 cent per pound of the total sugar content.
[2] Collected by the Internal Revenue Service on all sugar processed or refined in the United States.
[3] Collected by the Collector of Customs on direct-consumption sugar imported into the United States.
[4] Excludes import fee of $37,294,109.
[5] Excludes import fee of approximately $4,000,000.

TABLE XI.—*Sugar Act payments,[1] by areas, crop years,[2] 1937–63*

Crop year	Sugarbeet	Mainland cane	Hawaii	Puerto Rico	Virgin Islands	Total
1937	$17,136,667	$5,355,774	$4,174,800	$9,502,122		$36,169,363
1938	22,073,345	6,311,779	8,594,431	8,871,084		45,850,639
1939	21,371,789	5,448,583	8,975,615	10,617,743		46,413,730
1940	23,262,539	3,887,750	8,851,542	9,566,735		45,568,566
1941	18,991,929	4,561,504	8,594,533	11,231,588		43,379,554
1942	29,770,909	6,955,080	8,147,494	13,122,990	$26,320	58,022,793
1943	17,602,914	7,392,119	8,250,816	12,214,038	56,363	45,516,249
1944	18,632,477	6,646,061	8,210,656	13,061,033	41,380	46,591,607
1945	22,911,916	6,839,763	8,065,079	13,271,249	56,027	51,144,034
1946	27,735,230	6,536,104	6,574,448	15,060,552	66,758	55,973,092
1947	32,259,930	6,260,840	8,109,124	15,492,292	43,684	62,165,870
1948	23,206,938	7,202,755	7,628,611	17,667,677	64,142	55,770,123
1949	26,581,945	7,087,424	8,437,619	17,531,629	65,586	59,704,203
1950	33,744,012	7,826,663	8,471,294	17,148,914	138,510	67,329,393
1951	25,899,661	6,467,908	9,143,041	18,928,168	97,776	60,536,554
1952	24,735,741	7,977,490	9,398,138	16,960,951	145,120	59,217,440
1953	29,974,245	8,607,186	10,155,590	16,698,919	170,844	65,606,784
1954	33,224,656	8,051,294	9,932,469	16,220,824	127,750	67,556,993
1955	29,101,754	7,607,634	10,535,921	15,953,468	135,758	63,334,535
1956	31,287,969	7,330,693	10,179,146	14,683,659	167,144	63,648,611
1957	36,355,435	7,258,246	10,052,121	13,516,077	193,311	67,375,190
1958	36,208,052	7,396,467	7,430,239	14,870,174	124,977	66,029,909
1959	38,918,037	7,890,730	9,292,025	14,202,613	163,876	70,462,281
1960	39,283,331	8,167,785	8,778,759	14,939,018	124,881	71,293,774
1961	42,427,782	10,859,893	9,974,695	13,640,000	212,573	77,114,943
1962	43,219,476	11,470,112	10,176,611	13,109,629	139,033	78,114,861
1963	52,314,728	15,179,029	10,019,170	13,115,000	194,350	90,822,277
1964 [3]	52,901,539	14,825,000	10,563,180	12,039,300	190,352	90,519,371
Total						$1,620,712,868

[1] Includes abandonment and deficiency payments.
[2] Payments for a crop year are made for the most part in the following fiscal year.

Table XII.—*Selected data for domestic sugar producing areas, on acreage, production, quotas, and payments, 1955–64*

[All tons are raw value]

Domestic area and crop year	Acreage harvested for sugar [1]	Yields of sugar per acre harvested	Production of sugar	Quota charges	Unfilled quota: Basic	Unfilled quota: Adjusted	Jan. 1 effective inventory	Rate of Sugar Act payments per ton of sugar
	Thousands o acres	*Tons*	*Thousands of tons*	*Tons*	*Tons*	*Tons*	*Thousands of tons*	
Sugarbeet:								
1955	744	2.33	1,730	1,797,327	2,673	2,673	1,628	$16.82
1956	789	2.50	1,971	1,955,252	0	149	1,547	15.87
1957	882	2.51	2,213	2,065,677	0	5,007	1,529	16.43
1958	895	2.47	2,214	2,239,852	0	52,636	1,669	16.36
1959	898	2.56	2,303	2,241,164	0	26,501	1,638	16.89
1960	962	2.57	2,474	2,164,692	102,609	350,253	1,696	16.32
1961	1,091	2.23	2,431	2,607,166	2,004	2,004	2,006	17.45
1962	1,101	2.36	2,595	2,415,182	380,587	84,818	1,818	16.65
1963	1,248	2.47	3,086	2,964,790	25,337	0	1,998	16.95
1964	1,389	2.35	3,265	2,698,514	76	76	2,124	16.20
Mainland sugarcane:								
1955	267	2.14	572	498,797	1,203	1,203	396	13.30
1956	233	2.39	557	601,369	0	327	465	13.16
1957	259	2.05	531	635,685	0	1,487	346	13.67
1958	254	2.28	578	680,552	0	40,253	244	12.80
1959	296	2.08	615	577,595	51,204	120,188	140	12.83
1960	304	2.07	630	619,047	78,623	154,826	177	12.97
1961	334	2.57	858	783,611	0	0	185	12.66
1962	368	2.32	852	787,354	156,877	7,646	256	13.46
1963	435	2.72	1,183	1,072,202	0	0	319	12.83
1964	546	2.10	1,147	905,511	5,899	5,899	428	12.93
Puerto Rico:								
1954–55	361	3.23	[2] 1,166	1,079,562	438	438	163	13.9
1955–56	353	3.26	[2] 1,152	1,134,769	5,484	6,329	138	13.8
1956–57	362	2.73	990	912,571	224,416	7,429	44	14.83
1957–58	328	2.85	934	823,034	343,341	0	6	14,47
1958–59	344	3.16	1,087	957,853	234,645	12,022	7	13.68
1959–60	328	3.11	1,019	895,784	427,327	0	12	13.94
1960–61	328	3.38	1,110	980,176	290,689	0	15	13.46
1961–62	309	3.27	1,009	904,030	235,970	0	10	13.52
1962–63	303	3.26	989	875,245	264,755	0	8	13.26
1963–64	303	3.26	989	792,788	347,212	122,212	13	13.26

Hawaii:								
1955	106	10.75	1,140	1,052,004	0	0	6	9.24
1956	107	10.28	1,100	1,091,282	0	23	49	9.25
1957	107	10.14	1,085	1,036,763	50,610	23,237	14	9.26
1958	84	9.11	765	630,175	484,304	69,825	18	9.71
1959	110	8.86	975	976,845	163,617	1,125	114	9.53
1960	104	9.00	936	844,788	420,587	95,656	78	9.38
1961	108	10.09	1,092	1,044,858	170,552	0	124	9.13
1962	109	10.31	1,120	1,084,179	25,831	0	116	9.09
1963	107	10.25	1.101	1,032,541	77,459	37,459	148	9.10
1964	111	10.62	1,179	1,110,000	0	0	93	8.96
Virgin Islands:								
1955	5	2.14	10	9,942	2,058	558	----------	13.28
1956	5	2.69	13	12,535	0	0	----------	12.97
1957	5	3.05	15	14,753	796	0	----------	12.80
1958	4	1.36	6	6,093	9,812	7	----------	20.89
1959	4	2.98	12	12,302	3,959	103	----------	13.06
1960	4	1.57	7	6,954	11,089	1,664	----------	17.92
1961	4	3.87	17	16,184	1,146	1,146	0	12.50
1962	4	2.65	11	10,751	4,249	249	0	12.64
1963	4	3.73	16	15,000	0	0	0	12.15
1964	4	3.55	16	15,856	0	0	1	11.90
All domestic areas:								
1955	1,483	3.11	4,618	4,437,632	6,368	6,368	2,193	13.77
1956	1,487	3.22	4,793	4,795,207	6,293	6,293	2,199	13.54
1957	1,615	2.99	4,834	4,665,459	122,291	37,160	1,933	14.18
1958	1,565	2.87	4,497	4,379,706	531,794	154,687	1,937	14.38
1959	1,652	3.02	4,992	4,765,759	255,741	159,939	1,892	14.25
1960	1,702	2.98	5,066	4,531,265	1,040,235	600,235	1,963	13.93
1961	1,865	2.95	5,508	5,431,995	464,391	3,150	2,330	14.24
1962	1,891	2.96	5,587	5,201,496	803,504	92,713	2,200	14.08
1963	2,097	3.04	6,375	5,959,778	367,551	37,459	2,473	14.25
1964	2,353	2.80	6,596	5,522,669	353,187	128,187	2,659	13.89

[1] National acreage allocations in years when production was restricted, with acreages planted in parentheses were as follows: Domestic beet sugar area—1955, 850 (793); 1956, 850 (823); 1957, 950 (912); 1958, 935 (927); 1959, 925 (921); and 1960, 985 (960); mainland cane sugar area (for sugar and seed)—1955, 299 (285); 1956, 259 (253); 1957, 296 (284); 1958, 292 (276); 1959, 314 (314); and 1960, 336 (336).

[2] Individual farm proportionate share established in hundredweight of sugar totaled 1,214,000 tons for 1954-55 crop and 1,222,000 tons for 1955-56 crop.

TABLE XIII.—*World and U.S. raw sugar prices,[1] and sugar exports from selected countries to world and U.S. markets,[2] by month of shipment, 1962 through 1964*

Year and month	Domestic sugar price (cents per pound)[3]	World sugar price (cents per pound)	Quota premium or discount (cents per pound)[4]	Mexico (thousand short tons, raw value)		Dominican Republic (thousand short tons, raw value)		Peru (thousand short tons, raw value)		Brazil (thousand short tons, tel quel)	
				World	United States	World	United States	World	United States	World	United States
1962											
January	5.53	2.30	+3.23	0	64			0	52		
February	5.46	2.36	+3.10	0	93			0	56	13	17
March	5.54	2.65	+2.89	0	74	7	318	0	39		
April	5.55	2.69	+2.86	0	51			0	49	14	21
May	5.55	2.60	+2.95	0	75			0	37	6	16
June	5.57	2.63	+2.94	0	33	6	188	0	41	12	28
July	5.51	2.92	+2.59	0	0	0	84	0	16	35	14
August	5.66	3.24	+2.42	0	0			0	10	26	70
September	5.55	3.18	+2.37	0	0			0	62	0	92
October	5.63	3.28	+2.35	0	0	16	313	0	99	12	72
November	5.55	3.65	+1.90	0	0			0	29	11	71
December	5.65	4.29	+1.36	0	0			0	21	0	0
Average or total	5.56	2.98	+2.58	0	390	29	903	0	511	129	401
1963											
January	5.81	5.41	+.40	0	0					3	77
February	5.91	6.06	−.15	0	47			17	88	2	80
March	6.15	6.62	−.47	0	67	51	172	12	50	0	0
April	7.37	7.65	−.28	0	68						
May	10.17	10.36	−.19	0	74			18	57	9	33
June	7.80	9.92	−2.12	0	20	67	210			0	16
July	7.05	9.05	−2.00	0	38			7	39	0	0
August	5.75	6.63	−.88	0	11			3	28	0	37
September	6.54	7.63	−1.09	0	25			15	33	34	23
October	8.49	10.67	−2.18	0	0	33	207	14	64	11	56
November	8.40	11.63	−3.23					13	34		
December	7.84	10.36	−2.52	37	29			18	20	17	137
Average or total	7.27	8.50	−1.23	37	379	151	589	117	413	76	459

1964												
January	8.36	10.64	−2.28	0	33				44	20	0
February	7.09	9.11	−2.02	0	61	25	56	96		11	0
March	6.40	7.43	−1.03	0	53					16	0
April	6.51	8.05	−1.54	0	70					0	0
May	5.73	7.12	−1.39	0	83			67	12	0	0
June	5.53	5.33	+.20	0	42					10	0
July	5.33	4.80	+.53					9	20		
August	5.26	4.37	+.89	56	64	291		3	11	11	46
September	5.28	3.71	+1.57					25	6		
October	5.35	3.70	+1.65				357	17	65	37	101
November	5.25	3.40	+1.85	11	58			11	54		
December	5.63	2.76	+2.87					14	18	11	33
Average or total	5.98	5.87	+.11	67	469	316	413	242	230	116	180

[1] Source: Sugar reports, table on sugar prices.
[2] Source: International Sugar Council, statistical bulletin. Monthly data shown in all instances where available.
[3] After deducting duty and allowance for ocean shipping costs from the duty paid price, delivered at New York. Duty-paid price delivered at New York is shown on table V on page 17.

TABLE XIV

Raw Sugar Prices--Monthly Averages, 1948-1965

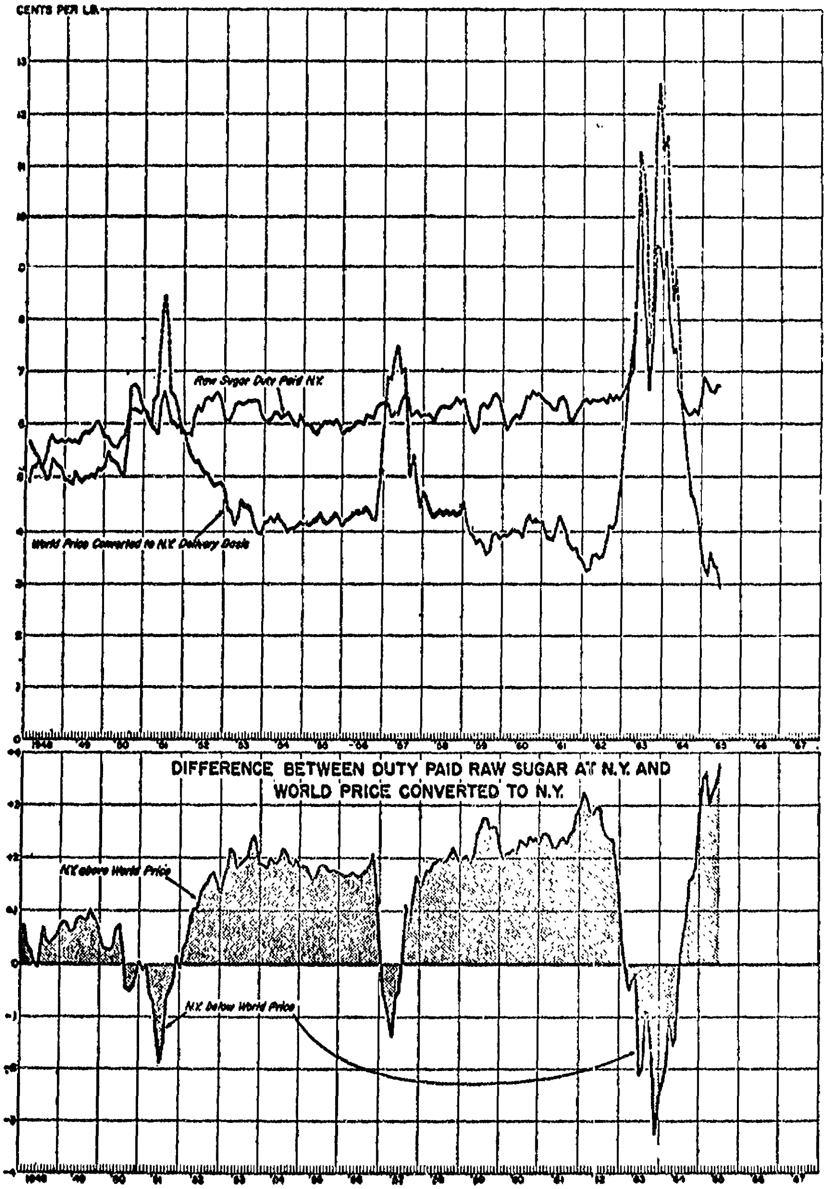

TABLE XV.—*Retail price of sugar for selected countries arranged in descending order of total sugar consumption, Jan. 1, 1961–65*

[U.S. cents per pound]

	1961	1962	1963	1964	1965
United States	11.9	11.6	11.8	14.1	11.6
United Kingdom	9.3	10.0	10.0	11.1	11.1
Brazil	4.5	5.0	5.0	6.1	6.1
India	10.5	10.0	10.2	11.6	(1)
West Germany	12.9	14.0	13.9	14.1	14.0
Japan	18.7	18.4	18.7	22.0	14.2
France	10.5	11.8	12.3	12.6	12.6
Italy	15.4	15.0	14.[illegible]	15.6	16.0
Mexico	5.5	5.6	5.6	5.6	5.6
Poland	13.5	13.5	13.5	14.6	(1)
Canada	9.6	9.0	10.3	17.9	8.8
Netherlands	11.7	12.2	13.7	13.9	14.0
South Africa	6.4	6.5	7.0	7.0	7.0
Australia	9.3	9.3	10.3	10.3	10.2
Yugoslavia	25.4	25.4	25.4	25.4	13.8
Belgium	13.0	14.1	12.7	12.5	13.9
Pakistan	17.0	14.1	15.3	17.1	18.0
Sweden	12.6	12.2	13.7	20.2	15.0
Hungary	20.2	20.2	20.2	20.2	(1)
Peru	2.8	3.7	3.7	5.1	5.8
Switzerland	9.1	8.6	8.8	12.7	11.2
China	9.1	10.0	12.3	13.4	13.4
Simple average	11.8	11.8	12.2	13.8	11.8

[1] Not available.

TABLE XVI.—*Sugar quotas*[1] *of foreign countries under administration bill at sugar requirements from 9,700,000 to 10,400,000 tons*

[Short tons, raw value]

Country	9,700,000	9,800,000	9,900,000	10,000,000	10,100,000	10,200,000	10,300,000	10,400,000
Western Hemisphere:								
Mexico	390,135	405,580	422,756	440,203	457,652	475,115	492,576	510,038
Dominican Republic	385,854	401,130	418,117	435,372	452,631	469,901	487,171	504,440
Peru	240,824	250,359	260,960	271,730	282,502	293,281	304,059	314,838
Brazil	221,558	230,329	240,084	249,991	259,901	269,818	279,734	289,651
British West Indies	122,017	126,849	132,220	137,676	143,135	148,595	154,057	159,518
Argentina	63,685	66,205	69,009	71,858	74,706	77,556	80,407	83,258
Eucador	49,770	51,740	53,932	56,158	58,383	60,611	62,839	65,067
Nicaragua	40,672	42,282	44,073	45,892	47,712	49,532	51,352	53,173
Guatemala	35,321	36,719	38,275	39,853	41,434	43,014	44,595	46,176
Costa Rica	34,786	36,163	37,695	39,250	40,806	42,363	43,920	45,477
Colombia	27,829	28,930	30,155	31,400	32,645	33,890	35,136	36,381
Haiti	18,731	19,472	20,297	21,134	21,972	22,811	23,649	24,488
El Salvador	17,125	17,804	18,558	19,324	20,089	20,856	21,622	22,388
Panama	14,449	15,021	15,658	16,303	16,950	17,597	18,244	18,890
British Honduras	4,281	4,450	4,639	4,831	5,022	5,214	5,405	5,597
Venezuela	2,676	2,782	2,899	3,019	3,139	3,259	3,378	3,499
Total, Western Hemisphere	1,669,713	1,735,815	1,809,327	1,883,994	1,958,679	2,033,413	2,108,144	2,182,879
Rest of world:								
Australia	186,772	194,167	197,049	199,039	201,029	203,019	205,009	206,999
India	96,865	100,700	104,964	109,295	113,629	117,964	122,299	126,635
South Africa	96,865	100,700	102,188	103,228	104,268	105,308	106,348	107,388
China, Republic of	67,431	70,100	73,069	76,085	79,101	82,119	85,137	88,154
France, French West Indies, Reunion	50,841	52,521	52,521	52,521	52,521	52,521	52,521	52,521
Fiji Islands	45,489	47,290	49,292	51,327	53,361	55,397	57,433	59,469
Mauritius	14,985	15,578	16,238	16,908	17,577	18,249	18,919	19,590
Southern Rhodesia	9,098	9,458	9,858	10,265	10,673	11,079	11,487	11,894
Swaziland	9,098	9,458	9,858	10,265	10,673	11,079	11,487	11,894
Malagasy Republic	7,492	7,789	8,118	8,454	8,789	9,124	9,460	9,794
Ireland	2,141	2,226	2,320	2,415	2,511	2,607	2,703	2,798
Belgium	1,605	1,669	1,739	1,812	1,866	1,866	1,866	1,866
Turkey	1,605	1,669	1,739	1,812	1,883	1,955	2,027	2,099
Total, rest of world	590,287	613,325	628,953	643,426	657,881	672,287	686,696	701,101
Total foreign (excluding Philippines)	2,260,000	2,349,140	2,438,280	2,527,420	2,616,560	2,705,700	2,794,840	2,882,980
Republic of the Philippines	1,050,000	1,060,860	1,071,720	1,082,580	1,093,440	1,104,300	1,115,160	1,126,020
Total	3,310,000	3,410,000	3,510,000	3,610,000	3,710,000	3,810,000	3,910,000	4,010,000

[1] The quota shown for the Republic of the Philippines is its own. For other countries, 42.23 percent of the amount shown represents its own quota and 57.77 percent represents its participation in the Cuban reserve.

NOTE.—Subject to (1) reduction for any increases in offshore domestic area quotas pursuant to sec. 202(a)(2)(B) of the act, and (2) increases (in the form of quota revision or allocations) resulting from the reallocation of deficits.

TABLE XVII.—*Foreign country quotas under H.R. 11135 as reported by House Committee on Agriculture*

Foreign countries	Quotas at the following levels of requirements—		
	9,700,000	10,000,000	10,400,000
(A) For countries in the Western Hemisphere:			
Mexico	340,925	381,266	443,927
Dominican Republic	340,925	381,266	443,927
Brazil	340,925	381,206	443,927
Peru	272,013	304,195	354,190
British West Indies	150,397	168,192	181,420
Ecuador	50,267	56,215	65,454
French West Indies	42,970	48,057	51,837
Colombia	42,970	48,057	55,965
Costa Rica	42,150	47,149	54,898
Nicaragua	38,511	43,067	50,145
Guatemala	32,836	36,721	42,756
Venezuela	30,809	34,454	40,117
El Salvador	30,403	34,001	39,589
Haiti	28,782	32,187	37,477
Panama	25,134	28,108	32,728
Argentina	21,485	24,028	27,977
British Honduras	19,864	22,214	23,961
Bolivia	4,054	4,534	5,279
Honduras	4,054	4,534	5,279
Subtotal	1,850,483	2,079,511	2,400,843
(B) For countries outside the Western Hemisphere:			
Australia	162,152	181,340	195,603
China, Republic of	67,293	75,257	81,176
India	64,861	72,534	78,239
South Africa	29,593	33,094	35,697
Fiji Islands	24,323	27,200	29,839
Thailand	19,864	22,214	23,961
Mauritius	14,188	15,867	17,115
Swaziland	6,081	6,801	7,336
Southern Rhodesia	6,081	6,801	7,336
Malagasy Republic	6,081	6,801	7,336
Subtotal	400,517	447,909	483,137
Total foreign (excluding Philippines)	2,260,000	2,527,420	2,883,980
Republic of the Philippines	1,050,000	1,082,580	1,126,020
Total	3,310,000	3,610,000	4,010,000

TABLE XVIII.—*Inventories: Refined beet sugar, 1935–65*

[In thousands of short tons, raw value]

Year	Physical stocks, Jan. 1	Production after Jan. 1 [1]	Effective inventory, Jan. 1	Calendar year production [2]	Calendar year deliveries [3]
1935	1,134	29	1,163	1,265	1,479
1936	920	32	952	1,411	1,365
1937	966	16	982	1,364	1,245
1938	1,084	28	1,112	1,748	1,449
1939	1,383	82	1,465	1,779	1,810
1940	1,351	63	1,414	1,802	1,552
1941	1,602	155	1,757	1,669	1,963
1942	1,319	71	1,390	1,677	1,703
1943	1,293	119	1,412	1,071	1,526
1944	838	47	885	1,066	1,156
1945	748	37	785	1,215	1,043
1946	920	102	1,022	1,452	1,379
1947	992	219	1,211	1,814	1,575
1948	1,230	267	1,497	1,465	1,657
1949	1,039	116	1,155	1,566	1,487
1950	1,118	159	1,277	1,899	1,749
1951	1,268	279	1,547	1,638	1,730
1952	1,175	182	1,357	1,521	1,560
1953	1,137	179	1,316	1,788	1,752
1954	1,123	315	1,438	1,989	1,806
1955	1,306	322	1,628	1,798	1,804
1956	1,300	247	[4] 1,547	1,960	[4] 1,982
1957	1,278	251	1,529	2,025	2,067
1958	1,234	435	1,669	2,241	2,242
1959	1,233	406	1,639	2,233	2,242
1960	1,223	473	1,696	2,440	2,165
1961	1,498	508	2,006	2,378	2,607
1962	1,269	549	1,818	2,515	2,415
1963	1,368	630	1,998	2,622	2,965
1964	1,025	1,099	2,124	3,371	2,700
1965	1,696	---------	2,744	---------	---------

[1] Sugar produced from beets planted previous year, except some small acreage in California where beets are planted in November and December and for crop year purposes, have been designated as beets of the year in which harvested.
[2] Includes sugar produced from proportionate and nonproportionate share beet acreage.
[3] Includes deliveries for export and livestock feed.
[4] Includes 26,000 tons delivered to Commodity Credit Corporation.

NOTE.—For continuation see Sugar Reports, December issue.

TABLE XIX.—*Inventories: Mainland cane sugar*

[In thousands of tons, raw value]

Year	Physical stocks, Jan. 1			Production after Jan. 1 [1]			Effective inventory, Jan. 1			Calendar year production			Calendar year quota marketings		
	Louisiana	Florida	Total	Louisiana	Florida	Total	Louisiana	Florida	Total	Louisiana	Florida	Total	Louisiana	Florida	Total
1935	60		60	4	17	21	64	17	81	340	28	368	291	28	319
1936	109		109	2	32	34	111	32	143	364	40	424	369	40	409
1937	124		124	4	44	48	128	44	172	403	60	463	431	60	491
1938	96		96	2	42	44	98	42	140	485	67	552	382	67	449
1939	199		199	8	68	76	207	68	275	442	100	542	487	100	587
1940	154		154	2	38	40	156	38	194	236	66	302	340	66	406
1941	50		50		70	70	50	70	120	322	100	422	312	99	411
1942	60	1	61		64	64	60	65	125	395	77	472	329	78	407
1943	126		126	2	48	50	128	48	176	401	62	463	399	61	460
1944	128	1	129	33	51	84	161	52	213	375	71	446	443	72	515
1945	60		60	27	49	76	87	49	136	376	79	455	344	73	417
1946	92	6	98	21	70	91	113	76	189	347	102	449	341	104	445
1947	98	4	102	5	62	67	103	66	169	271	77	348	304	79	383
1948	65	2	67	31	65	96	96	67	163	363	95	458	361	95	456
1949	67	2	69	65	50	115	132	52	184	471	78	549	480	77	557
1950	58	3	61	10	77	87	68	80	148	463	111	574	411	111	522
1951	110	3	113	3	74	77	113	77	190	296	112	408	353	112	465
1952	53	3	56	3	84	87	56	87	143	455	128	583	449	129	578
1953	56	2	58	1	110	111	57	112	169	476	157	633	397	116	513
1954	135	43	178	4	104	108	139	147	286	474	147	621	381	120	501
1955	229	70	299	7	90	97	236	160	[2] 396	453	135	588	381	121	[2] 502
1956	304	81	385	8	72	80	312	153	[2] 465	437	113	550	531	144	[2] 675
1957	211	48	259		88	88	211	136	347	396	139	535	485	151	636
1958	121	37	158	1	83	84	122	120	242	445	129	574	518	161	679
1959	48	2	50		91	91	47	93	140	440	147	587	433	145	578
1960	55	5	60		117	117	55	122	177	460	174	634	442	177	619
1961	74	1	75	10	100	110	84	101	185	625	173	798	614	170	784
1962	85	5	90	33	133	166	118	138	256	505	258	763	528	260	788
1963	63	2	65	−1	255	254	62	257	319	733	414	1,147	662	414	1,076
1964	134	6	140	26	262	288	160	268	428	573	464	1,037	[3] 570	[3] 336	[3] 906
1965 [3]	137	133	270	23	371	394	160	504	664	600	550	1,150	560	540	1,100

[1] Sugar produced from cane cultivated during the previous year.
[2] Includes deliveries to Commodity Credit Corporation of 3,000 tons in 1955 and 74,000 tons (Louisiana, 59,000 tons and Florida, 15,000 tons) in 1956.
[3] Estimated.

TABLE XX.—*Basic sugar quotas for foreign countries under H.R. 10496, H.R. 11135, and provisions of 1962 act which expired on Dec. 31, 1964, at sugar requirements level of 9,700,000 short tons, raw value (assuming in all those cases that domestic quotas have been increased by 580,000 to 6,390,000)*

[In short tons, raw value]

	Administration's H.R. 10496	Agriculture Committee's H.R. 11135	Provision of 1962 act which expired Dec. 31, 1964
A. For countries in the Western Hemisphere:			
Mexico	164,754	190,066	150,886
Dominican Republic	162,946	190,066	150,886
Peru	101,700	151,646	150,886
Brazil	93,564	190,066	143,240
British West Indies	51,528	83,846	71,732
Ecuador	21,018	28,024	19,788
Colombia	11,752	23,956	23,836
Costa Rica	14,690	23,504	19,788
Nicaragua	17,176	21,470	19,788
Guatemala	14,916	18,306	15,966
Venezuela	1,130	17,176	0
El Salvador	7,232	16,950	8,095
Haiti	7,910	16,046	15,966
Panama	6,102	14,012	5,577
Argentina	26,894	11,978	0
British Honduras	1,808	11,074	0
Bolivia	0	2,260	0
Honduras	0	2,260	0
Subtotal	705,120	1,012,706	796,434
B. For countries outside the Western Hemisphere:			
Australia	78,874	90,400	31,706
China, Republic of	28,476	37,516	27,883
France, French West Indies, Reunion [1]	21,470	23,956	23,836
India	40,906	36,160	15,966
South Africa	40,906	16,498	15,966
Fiji Islands	19,210	18,560	7,870
Thailand	0	11,074	0
Mauritius	6,328	7,910	0
Swaziland	3,842	3,390	0
Southern Rhodesia	3,842	3,390	0
Malagasy Republic	3,164	3,390	0
Ireland	904	0	10,000
Belgium	678	0	182
Turkey	678	0	0
Subtotal	249,278	247,244	133,409
Cuban reserve	1,305,602	1,000,050	[2] 1,299,056
Withheld from net-importing countries and for nonperformance			31,101
Subtotal	2,260,000	2,260,000	2,260,000
Republic of the Philippines	1,050,000	1,050,000	1,050,000
Total foreign, including Philippines	3,310,000	3,310,000	3,310,000

[1] Administration recommendations treat these as an entity and included in countries outside Western Hemisphere.
[2] Of this total 150,000 tons assigned to Dominican Republic and 20,000 tons to Argentina pursuant to Honey Bee amendment.

The CHAIRMAN. The first witness today will be the Under Secretary of Agriculture. Mr. Secretary, will you please take the stand and proceed with your prepared statement. The Chair will ask that the audience remain seated while the statements are all being passed around.

STATEMENT OF HON. JOHN A. SCHNITTKER, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN BAGWELL, GENERAL COUNSEL OF THE DEPARTMENT OF AGRICULTURE; AND TOM MURPHY, DIRECTOR OF SUGAR POLICY STAFF, DEPARTMENT OF AGRICULTURE

Mr. SCHNITTKER. Thank you, Mr. Chairman.

I have with me today, sir, Mr. John Bagwell, the General Counsel of the Department of Agriculture, and Mr. Tom Murphy, Director of the Sugar Policy Staff of the Department of Agriculture. I am glad to have this opportunity to appear before the committee to testify on H.R. 11135, the bill passed by the House to extend and amend the Sugar Act.

I would also like to refer to S. 2567 introduced by Senator Long and other Senators. On August 18, I appeared before the House Committee on Agriculture and testified on behalf of the administration's recommendations on sugar legislation. These recommendations are identical with the provisions of S. 2567, which has the administration's full support.

In a number of respects, the bill passed by the House yesterday is similar to the administration's recommendations. These I will merely describe as there appears to be rather general agreement on them.

H.R. 11135 would extend the Sugar Act 5 years to December 31, 1971.

Beginning with the current year, the marketing quota for the domestic beet sugar area would be established at 3,025,000 tons and the marketing quota for the mainland sugarcane area at 1,100,000 tons, to remain at those levels whenever the determination of national sugar requirements is between 9.7 and 10.4 million tons. The recommended quotas represent increases of 375,000 tons for the beet sugar area and 205,000 tons for the mainland sugarcane area as compared to present law, at a consumption level of 9.7 million tons.

At higher levels of consumption, the increases become progressively smaller and together would amount to only 125,000 tons when consumption reaches 10.4 millions tons. The two areas would share in future market growth when consumption exceeds 10.4 million tons and, conversely, the quotas for the areas would be reduced if consumption falls below 9.7 million tons—to the extent in both cases of 65 percent of such differences in total consumption.

Quotas for the offshore domestic areas would be the same as under present law, resulting in total basic quotas for the five domestic areas of 6,390,000 tons. The quota increases would enable the two mainland areas to market their current surpluses in an orderly fashion during the next few years with only moderate further curtailment of production. By 1971, it is probable that the relationship between domestic marketings and imports provided in the current act will have been virtually reestablished. Hence, the recommended term of the extension and the market sharing proposal are integral parts of a single plan.

An additional part of that plan in both H.R. 11135 and S. 2567 is that the sugarbeet acreage reserve program not be extended beyond 1966 except to protect the interests of those who have received the allocations authorized under the present provision of the law. Six new sugarbeet factories have been or are being constructed. In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of the extension.

Turning to provisions directly affecting foreign countries, a quota of 1,050,000 tons plus 10.86 percent of market growth between 9.7 and 10.4 million tons is provided for the Republic of the Philippines.

For other foreign countries, however, the allocation of quotas in H.R. 11135 is quite different from the recommendation of the administration. I want to discuss that after I have reviewed other points of agreement between the administration's recommendation and H.R. 11135.

Both would authorize the President, whenever it is in the national interest, to withhold the quota of any foreign country and prorate an equivalent amount of sugar to other foreign countries. Similarly, he could alter the usual method of allocating deficits to countries other than the Philippines.

Both bills would provide for reduction in all future years of the quota of a country which failed without justification to fill its quota in any year, including years when quotas may be suspended. The permanent reduction would be the amount of the shortfall or the difference between 115 percent of the preceding year's quota and actual imports in the shortfall year, if the latter quantity is the smaller. One practical effect of this provision is that countries would need to carry a 15-percent reserve for this market to assure against the possibility of permanent loss of quota rights. With respect to the four Latin American countries with large quotas, H.R. 11135 went beyond the administration's recommendation by increasing the reserve requirement from 15 to 30 percent in the first half of each year and maintaining the 15-percent requirement for the balance of the year.

All deficits in the quotas of domestic areas and foreign countries would be allocated to foreign countries with the Philippines having the same participation, that is, 47.22 percent in H.R. 11135 and in the administration's recommendation.

There are two minor differences: H.R. 11135 would provide for reallocation of deficits of countries which are members of the Central American Common Market within that group before general reallocation; and would allocate domestic area and Western Hemisphere country deficits to the Philippines and Western Hemisphere countries but would allocate Eastern Hemisphere deficits to Eastern Hemisphere cotunries. The administration had recommended that all deficits remaining after the allocation to the Philippines be prorated only among Western Hemisphere countries.

In other respects the bill passed by the House differs materially from the administration's recommendation. These differences can be considered in three main categories:

First, the House-passed bill does not allocate quotas to foreign countries on a performance basis, or, in fact, on any objective basis.

Second, the House-passed bill seriously weakens provisions which are necessary to stabilize sugar prices and promote an orderly market.

Senator GORE. Mr. Chairman, are we with the rule that he completes his statement before we ask questions?

The CHAIRMAN. Yes.

Mr. SCHNITTKER. It weakens the protection afforded U.S. consumers against excessively high prices and the protection to producers against excessively low prices.

Third, the House bill includes special consideration provisions with respect to both the allotment of mainland sugarcane and sugarbeet crop acreages and the allotment of sugar marketing rights in the two areas.

Regarding foreign quotas: The Cuban reserve quota would be reduced to 44.25 percent of total annual requirements after deducting domestic and Philippines quotas. The administration had recommended 57.77 percent as provided in the 1962 amendments. Both proposals would allocate the Cuban reserve, until such time as relations are resumed with that country, on a country-by-country basis.

The administration proposed that this be done in direct ratio to the permanent quotas of all other countries, except the Philippines.

The House-passed bill would do it in the same manner except that the portion of the Cuban reserve stemming from requirements in excess of 10 million tons would be prorated to only those countries which are members of the Organization of American States. The changed percentage for the Cuban quota reserve under the House-passed bill would reduce the participation in our sugar market which could be returned to Cuba, when that country rejoins the free world, from the range of 1.3 to 1.7 million tons down to the range of 1.0 to 1.3 million tons.

In 1962, the administration recommended and the Sugar Act amendment for that year provided for individual country quotas with the Cuban reserve allocated on a global basis. The combination of country quotas and a global quota which enabled the United States to obtain sugar from most world sources, worked well during the difficult 1963–64 period. Sugar was obtained when needed in much larger quantities from a number of countries than could have been foreseen in advance.

Now, however, and for the first time, countries have demonstrated what may be expected of them when supplies are scarce. This demonstrated performance makes it much safer to allocate imports on a country-by-country basis and to depend on obtaining sugar in any other manner only as an emergency measure prior to complete suspension of quotas.

Before 1960 all of our present foreign suppliers, other than the Philippines, had imported into the United States less than 300,000 tons annually in total. In the last half of 1960, in 1961 and 1962 large carryovers of sugar existed in many of the countries for which another market could not be found even at the low world price. These surpluses made possible exports to the United States at a higher rate than current production would have supported. The surpluses had disappeared by 1963. Hence, 1963 and 1964 are uniquely appropriate and available years to use as a base for allocating future import quotas.

The administration has recommended and S. 2567 provides that quotas and participation in the Cuban reserve be allocated to foreign countries on the basis that each country contributed toward our import needs in 1963 and 1964, years in which they demonstrated both their willingness and their ability to service our market under the most trying circumstances, that is, when sugar was extremely scarce and when higher prices were available in other markets. In those years, every friendly country had the opportunity to export to the United States as much sugar as it wished. Some quota countries elected to increase their exports to other countries and reduce their exports to the U.S. market while others did not.

The administration believes that this performance approach is the safest method of assuring the needed level of imports not only during the extended periods when the United States is a premium priced market, but also in the exceptional periods when higher prices might be obtained by exporting to other destinations. We also believe that this is a method fair and equitable to each of our foreign suppliers. Each country would have, in effect, determined its own quota.

The years 1963 and 1964 constitute a recent period and the only period since 1957 when importation into the United States represented even a short-term hardship for our supplying countries. The administration also recommended that 1964 receive double weighting as compared to 1963.

Although our foreign suppliers sustained a price discount on their imports into the United States in 1963, the price disadvantage at the time they committed 1964 supplies was much greater, hence, the double weighting for that year's 1964 performance. Furthermore, when 1964 supplies were committed in the last weeks of 1963 and the first 2 weeks of 1964, sugar was much scarcer than in the early part of 1963 when that year's imports were committed.

During the time between February 1963 and June 1964, the price of raw sugar, duty paid at New York, averaged 8 cents per pound. On a comparable basis, this was 1½ cents per pound above the customary price in the United States, but it was also 1½ cents per pound or $30 per ton below the average price in the world market. The value of a 10,000-ton cargo destined for the United States brought on the average $300,000 less than it would have in other available markets. On some shipments, the difference was much greater and on others much less.

To sum up, the administration in consideration of the interest of consumers and of its relations with foreign countries strongly recommends to this committee that foreign quotas be allocated on an objective basis and believes that the basis which it has proposed is fair and equitable to all

The House-passed bill assigns quotas and participation in the Cuban reserve on a subjective basis and thus affects sensitive foreign relations issues in a manner that will be embarrassing to this Government. I defer to the representative of the Department of State, however, on this matter.

The administration strongly urges that quotas be assigned strictly on an objective basis and has proposed for this purpose the performance of countries in supplying our market when sugar was scarce throughout the world.

In the second category of differences, the administration recommended provisions to protect consumers from excessively high prices and domestic producers, on the other hand, from prices so low as to prevent their continued operation.

Beginning from the consumers' standpoint: In addition to allocating foreign quotas to countries which had demonstrated their ability and willingness to service our market under adverse conditions, the administration's recommendation has another feature which is modified in the House passed bill, that is, authorization to the Secretary when necessary to obtain sugar quickly from any source available.

The administration had recommended that if the Secretary finds it impracticable to obtain additional needed foreign supplies by increasing foreign quotas in the usual manner either—

(1) because the requirements determination is increased very late in the year when shipping for minor quantities from 30 countries would not be available, or

(2) because limited sugar supplies and increased prices have created or are likely to create an emergency situation interfering with the orderly movement of foreign sugar to the United States, then he could obtain the needed sugar from any friendly foreign country on a first-come, first-served basis.

In an emergency situation, the President can suspend quotas and in fact, he did so twice in the early years of the Sugar Act. To avoid such action except as a last resort, the Secretary under this provision would be empowered while quotas are still in operation to obtain imports from any eligible source throughout the world at times when sugar is scarce and when domestic users presumably would be stockpiling in excess of current requirements.

In this kind of a situation, one or more of our 30 foreign suppliers would not be able to furnish his pro rata share. Some might be able to furnish far more and in fact during the term of the act, sugar might also become available from countries which would not have quotas. The recommended provision would make such increments of sugar available, thereby keeping sugar prices in the United States at more reasonable levels at times when the world price may be exorbitant.

The House bill continued this provision but with the following amendment:

> In authorizing the importation of such sugar, the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products.

That is the end of the quotation from H.R. 11135.

The amendment negates the protection to consumers which the provision otherwise would have in an emergency. Under it, the Secretary would be required to give notice that he would receive during the period prior to a designated closing date, offers from countries for barterlike transactions. Of course, once the Secretary gives such notice, other importing countries realize that the United States is in the market for a substantial quantity of sugar but cannot consummate its arrangements for a given number of days.

During this period those which need sugar would come into the market and their very presence would force up the price and in some cases, reduce the immediately available sugar to a quantity less than that needed by the United States. It is difficult to say what value, if any, the provision can have as modified by the House. It can no longer be regarded as an effective way of getting sugar quickly. It no longer provides a means of protecting consumers from high world prices. It is doubtful if it would ever be used.

Regarding producer protection, in situations such as in the current year, with world sugar prices very low, the administration recommended authority to limit total imports during the first two calendar quarters of a year to guard against overly large importations in the early part of the year which would depress domestic prices. Whenever the world price is well below the domestic price objective, there is a tendency to seek the price premium available in this market the early part of the year despite the limitation imposed on annual imports from each country. Need for operating funds and limited storage facilities in sugar exporting countries accounts for this tendency. But it can be counteracted by limiting total imports in the first half of the year to the needs of the market.

The effectiveness of this arrangement was demonstrated this year when limitations on total imports were applied during each of the first three quarters. Despite the fact that the world price has averaged more than 3 cents per pound below the domestic price objective, the domestic price has been maintained all year at a level close to the statutory price reference point. This is in contrast to late last year before the announcement that time limitations on total imports were being considered for 1965. Until that announcement was made, the domestic price was about one-half cent a pound below the domestic price objective and was weak at the very time that our domestically produced sugarcane and sugarbeets were being harvested.

In the third category of the difference between the House and Senate bills, the House-passed bill provides special treatment for certain classes of sugarbeet and sugarcane farmers and processors. One provision would increase a farmer's proportionate share for 1965 up to the acreage now growing if the farmer has overplanted his acreage allocation by more than 200 percent. Planting time for 1965 crop sugarcane was in August of 1964.

Several months before that date, spokesmen for sugarcane growers had recommended at the public hearing that the 1965 crop be cut back about 15 percent below the 1964 crop, a recommendation which was adopted in the 1965 acreage order. This provision in the House bill would penalize cooperative growers and reward the noncooperative. It is grossly unfair to other sugar growers and should not be enacted.

Another provision of the House bill would enable a particular processor of raw cane sugar who had withheld 1963 crop sugar from the market in late 1963—a time of scarcity, high prices and unlimited marketing rights—to obtain a substantially enlarged 1966 marketing allotment. The increase would be so large that he could market more of his 1966 crop than most other processors who had marketed in an orderly fashion through the years.

These provisions also would grant specialized treatment for two single factory beet sugar processors, and farmers in those factory districts, and enlarged marketing opportunities for relatively new raw sugar processors. During the years between 1960 and 1965 farmers could grow sugar crops and processors could market the sugar without governmental restrictions. The 1965 acreage allotment order in both areas gave great consideration to the problem of short-term growers. In these circumstances, the administration believes that the acreage allotment and sugar marketing provisions of the Sugar Act as now written provide the Secretary of Agriculture with sufficient discretion to issue fair and equitable regulations without the amendments contained in H.R. 11135. In a period when both acreage and marketing must be substantially restricted, we believe that the burden should be equitably distributed among all.

Mr. Chairman, I urge that the committee favorably consider S. 2567. A section-by-section analysis of this bill was transmitted with Secretary Freeman's letter of August 17 to the Vice President.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Any questions?

Senator LONG. Mr. Secretary, you have a good bill here, as I see it. Might I ask you why this bill has to be passed this year?

Mr. SCHNITTKER. Well, it is necessary that it be passed this year, first of all, because of the need to authorize domestic cane and sugar areas, processors, in effect, to market additional quantities of sugar both to reduce very heavy stocks which they have and to provide sufficient quantities of sugar for the remainder of this year in the U.S. market without creating chaotic conditions which would otherwise result if we had to fall back upon authority which is now in the Sugar Act.

On the foreign side, sir, it is very important to U.S. consumers that foreign countries know at the earliest opportunity what their prospects are in the U.S. market so that they can continue to supply the U.S. market surely.

Senator LONG. As I understand it, you are thinking about the type of situations that exist in my State. We have two companies we put in business back at the time when this Nation had a shortage of sugar and couldn't get enough sugar to provide the market. We loaned them some Federal money to put them in business and now they are in bankruptcy because the law says they can't sell their sugar. They are controlled on the acreage, but the acreage controls are not what is killing them. What is killing them is the fact that the law says they can't sell the sugar, and we need to amend that law so they can sell it.

Mr. SCHNITTKER. Of course, the law which says that these two companies cannot sell additional quantities above a certain level is the same law which applies to all other sugar processors. It happens that some are in—in several areas—a particularly difficult situation being new processors, more so than other refiners.

Senator LONG. Well, you have about a dozen of them around the country, don't you?

You have 2 in Louisiana, but across the country about 12, as I recall.

Mr. SCHNITTKER. Yes, this is right, this is correct.

Senator LONG. Right.

Furthermore, as I understand it, you would reward those countries and those producers who provided us with sugar at a time when sugar was in very scarce supply, so you would like to change the quota system to put a bonus on those who helped us when we needed the help, and to do less for those who did not help us when we asked for some help.

Mr. SCHNITTKER. That is correct, the countries which helped us in a recent period when there was great stress in the sugar market and where they demonstrated their ability to supply this market under fairly adverse conditions. We believe those are the kind of countries which can guarantee U.S. consumers supplies and, therefore, relatively stable prices in the years ahead.

Senator LONG. All right.

Now, here is one thing I don't understand. I asked Mr. Murphy about this when he was up here during the time we had a shortage of sugar. Why don't we put in this bill a two-way requirement? If we are going to pay these people a premium for sugar why don't we put in there that they will deliver it. I have never in my life seen a sales contract where somebody agrees to pay and the other guy won't agree to sell. So, why don't we put in the contract they will agree to sell it? I think it is a completely ridiculous provision to say we will pay somebody a premium without putting on the other end of the contract that he will sell it. Why don't you want us to say, "I will pay you a premium price when you sell my sugar," without saying all right, the other guy agrees to sell.

Mr. SCHNITTKER. Well, we would not pay for the sugar if it is not actually delivered to us. You are asking, sir, I believe, about some requirement that countries deliver the amount of sugar which they are authorized to.

Senator LONG. Yes.

Mr. SCHNITTKER. I say I don't know how we could make that operate.

Senator LONG. All you have to do is do something that any businessman on earth will do. A businessman would say, "I will pay you a premium but I want you to sign a contract that you will deliver." It is completely ridiculous to suggest that you pay a guy twice the price and yet he doesn't have to agree to sell.

So, if the price goes up he hasn't got to deliver. Then you go begging. That is the most ridiculous thing I ever heard of as a lawyer. I would say any lawyer who would draft that contract ought to be fired. Why would you sign a contract that would say you would pay a guy twice the price for a future crop, and he does not agree to deliver, so that the world market price goes up to four times the price, and he says, as he did the last time, "I didn't agree to sell. All I agreed to do was to sell if and when I thought that it was to my advantage to do so."

Why would you do that?

Mr. SCHNITTKER. If I may, Senator, defer the——

Senator LONG. If I were a lawyer advising a client I would say he would be a fool to sign that kind of a contract.

Mr. SCHNITTKER. I think as individual business companies and operators this is correct. But the situation is somewhat different among sovereign governments, and we do have in the proposed act, sanctions against the countries which, we think, are strong enough to cause them to deliver to this market under any circumstances because if they don't deliver in any given year, and there is no cause for this failure of delivery, their quotas in subsequent years are permanently reduced.

Senator LONG. Let me say this, Mr. Secretary, I have seen a lot of people up here talk to me about sugar, and I haven't found one of them yet who wouldn't say freely, "Yes, we would agree to deliver, we would sign the contract and we will deliver, we will be tickled pink to sign that contract that says we will deliver, if you will buy at a premium price," and all you have got to do is write in the contract—I will make you a bet you won't find a single fellow who will back down. You are talking about rewarding some fellow who could deliver when you couldn't get sugar, why don't you put in the contract that he ought to deliver.

I understand this, you can't enforce a contract against another sovereign government unless he agrees to do that. I understand that. You might take him before the World Court but you couldn't enforce that. But why don't you at least make him agree to it?

Mr. SCHNITTKER. I can't respond further to this, Senator.

Mr. Bagwell has a comment.

Mr. BAGWELL. Senator, these contracts for the sale and purchase of sugar are between private parties.

The U.S. Government doesn't get involved in these.

We do have a provision in this bill that those countries that fail to fill their quota will in future years have their quota reduced and I think that is incentive enough for them to deliver the sugar.

Senator LONG. Well, if I drew up a contract for my client, and if it said that he was going to pay a premium price and the other guy did not agree to deliver, I would feel that I should be fired. It is supposed to be a two-way contract, I am supposed to look after my client, and you are supposed to look after the United States of America.

Why don't you put in the contract he is supposed to deliver?

Mr. BAGWELL. This contract is between the purchasers of sugar in this country and refiners in foreign countries and we don't actually know of any case where they entered into a contract and failed to carry it out. The difficulty was they simply didn't offer to sell it and there was no purchase of it in this country.

The problem hasn't been failure to deliver on contracts that were executed; it is the fact they simply didn't——

Senator LONG. You don't have Orville Freeman up here and you don't have Mr. Murphy up here on purpose. You boys came here to testify for them. At a time when we couldn't get the sugar, if I do say it, at least they sent Murphy up here to testify, and I asked him "Why didn't you put in the contract that they will deliver." We had a worldwide shortage of sugar, and they were selling it for four times the ordinary price.

We were begging for sugar. We had been giving these people a premium price all these years, and then they wouldn't deliver sugar when we needed it.

Mr. SCHNITTKER. Senator, I believe you and I would agree that we could not enforce contractual provisions with sovereign governments.

Senator LONG. Yes, but you could at least make them promise. You could make them promise to do it. Even if they break their promise, make them say they will do it.

Mr. SCHNITTKER. We have done it.

Senator LONG. You don't even ask for it. All you do is say, "Look, we will pay you twice the price." What is at the other end of the contract? Nothing, just zero. He will sell to you at twice the price if it suits his convenience. That is your bill.

Why don't you put in the bill that he agrees to sell it? Like a treaty, if he breaks his treaty go to war or take him before the World Court.

Mr. SCHNITTKER. I would have to get further advice to really respond more to the question, but we have the next best thing, which are sanctions and even among business corporations and business transactions a person cannot be forced to delived, but he can be penalized. You can invoke some sanction against him, and this is what is usually done, even in a private business transaction which is exactly what we proposed to do against the government, against the country.

Senator LONG. All it is is a foreign aid program as far as the premium is concerned because you give the guy twice the price that he doesn't agree to deliver to you.

Why don't you put in the contract that he agrees to deliver, just like you do in the treaty:

> We will pay you twice the price that we can foresee. We will pay you twice what we think the world price will be at that time, but in the event there is a shortage you will deliver to us at the agreed price.

Mr. SCHNITTKER. I am sorry, I just can't add anything further.

Senator LONG. Take the fifth amendment. [Laughter.]

It is ridiculous now. I am going to offer the amendment and I think the committee will agree with that. I have talked to a lot of people who want to increase their quotas, either trying to increase their quotas or trying to get back what Harold Cooley took from them, in either event they are all willing to deliver.

They are not asking for it. They would be a fool to ask for it. Why would you draft a contract like that? You pay twice the price and the other guy doesn't agree to give you anything.

Mr. BAGWELL. Again, may I say we don't prepare these contracts. Under the law, the country has the right to bring the sugar in but I know of no way that we could force them to bring the sugar to us. I think the price here, you indicate the price is a premium price, I think that will be attractive enough to get it in most instances.

We did face the situation a couple of years ago when the incentive wasn't operating.

Senator LONG. What is this premium price worth to these countries? As I recall, you are short about 4 million tons. What is that worth to them against present prices?

Mr. SCHNITTKER. At present prices, $65 a ton.

Senator LONG. Well, OK. so you are giving them $260 million. So you are buying $260 million worth of sugar for $520 million. Why don't you make them agree to deliver the sugar? They are selling it for twice the price. They would be tickled pink to sign that contract, break the door down to sign it. Why don't you make them agree just to deliver?

Mr. SCHNITTKER. As I said, Senator——

Senator LONG. Maybe you couldn't enforce it but you could get a promise out of them. You don't even have that by your contract.

Mr. SCHNITTKER. It would not seem to me very useful to extract a promise contract on which we don't expect performance.

Senator LONG. You mean you don't expect these folks to deliver. You are rewarding people right in your bill because some folks did and some folks didn't.

Mr. SCHNITTKER. On which we don't expect performance because of the contract. We have something better we think in the attraction of the premium price and in the sanctions which would go into effect automatically if they do not deliver, adequate safeguards. The contract, I think, would be first of all only a token contract, and would be unenforcible.

Senator LONG. I don't understand why you would be coming in here rewarding some fellow because he sold you sugar and some other guy because he didn't sell you sugar, when you never asked these guys to promise to deliver in the first place. You left it completely willy-nilly. You just passed a foreign aid bill to give $260 million away, and then you come in here and say we will reward the guy who delivered. Why do you want to reward him? He never promised to in the first place, all you did was to go begging for sugar.

Mr. SCHNITTKER. We believe, sir, he will in all cases deliver, hence there would appear to be no need for a contract.

Senator LONG. One other point.

Chairman Cooley has been pretty well crucified in the press about this matter. Is there anything sacred about that formula you boys worked out? You can't change it?

Mr. SCHNITTKER. It isn't written in stone.

Senator LONG. Did the President work it out or did you fellows work it out down there between you and the Department of State?

Mr. SCHNITTKER. This matter was worked out as matters usually are by the executive department, Department of Agriculture and State, primarily, along with other executive agencies. The bill is a recommendation of the administration, and hence was approved by the President. We believe that the formula is the best one. I would not argue that minor modifications could not be made in it leaving it substantially the same. Nonetheless, it is a formula, whereas the House allocation of foreign quotas represents no formula at all.

Senator LONG. How would you know? Did you discuss this matter with Mr. Cooley to find out why he and Mr. Poage and the other people on their committee arrived at a conclusion different from yours?

Mr. SCHNITTKER. We have not been able to ascertain that there was any objective basis behind the allocation of quotas in the House bill. I have read, I have not discussed it with Mr. Cooley, I have read the small document which was issued by the House committee which indicated their objections to the administration formula and the basis on which they allocated quotas in the House bill.

Senator LONG. The one thing that troubles me is that I have gone into conference with these House fellows several times and they don't testify before our committee but when you meet these fellows in conference and you ask, "Well, why did you do this" they usually come up with very good reasons and good arguments.

They don't just appear to be as you describe them, people who have no logic, no reason, acting on complete whim and caprice. They usually have very good reasons.

For example, I don't agree with them that they acted correctly on cutting that Mexican quota but they say, "Well, we are in trouble down there with the Dominican Republic, and called on Mexico for help and Mexico fought us, why should we reward them."

In other words, they come up with logic like that which surprises me because we don't hear them testify to it on this side. All we hear are your arguments, you say there is no logic, no pattern, no nothing, but when you go to conference with these fellows they make very good arguments.

Mr. SCHNITTKER. We believe that the sugar quotas ought to be allocated primarily on the basis of performance in the sugar market, and on the basis which will give the best chance of protecting the U.S. consumer from high prices and, of course, the U.S. producer from unreasonably low prices. Mexico, which is one country you mentioned, did perform very well in 1963 and 1964.

Some other countries whose quotas were not so large in the administration's recommendation did not perform so well, and since we are trying to stick to an objective basis, a sugar supply basis, much more than a political basis, our formula comes out differently than the House formula.

Senator LONG. Thank you.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. I noticed you have endorsed S. 2567, but we have before us H.R. 11135 which was passed by the House.

I am asking you this question: Suppose that bill is brought up, are you for it or against it?

Mr. SCHNITTKER. Suppose the——

Senator WILLIAMS. House bill. Would you rather see it passed or defeated as it is?

Mr. SCHNITTKER. We would have very grave reservations about final enactment of the House bill and almost entirely on the ground of the foreign quotas.

Senator WILLIAMS. You think it would be better to take no action at all than to enact the bill as passed by the House at this time; is that the answer?

Mr. SCHNITTKER. I would not say yes to this question at that time but I would defer to Mr. Mann who will testify later for the State Department on this point because the question of foreign quotas is the biggest issue on which we disagree with the House bill.

Senator WILLIAMS. I realize that, and if we pass the House bill as it is I realize we are committed for 5 years. That is the reason I am asking you the question; there is no way for the Senate to vote maybe. We must either say yes or no. I am just wondering what the position of the administration would be. I am not asking you to support the House bill; I don't myself. But if it boils down to that——

Mr. SCHNITTKER. Senator, the administration, to my knowledge, has not faced this question yet because we have great confidence that the Senate can pass a better bill than the House, and that the two bodies can reach an accord on a better bill, particularly in regard to foreign quotas than the House bill. But we will take that up when the time comes. I realize it may come very soon.

Senator WILLIAMS. The time is here now, and I went an answer from you before we act.

We are caught in this position: As you well know, if the House bill passes the Senate there is nothing in conference. So the question will have to be answered, and I think the administration should take a strong position where it stands because I think it is the only way that we can be successful in changing it.

Mr. SCHNITTKER. Senator, we could have an answer to that question as you proceed today.

Senator WILLIAMS. Now, under the existing law concerning this sugar that comes in, the foreign importers are getting about 6 cents, aren't they?

Mr. SCHNITTKER. About 5½ cents, yes.

Senator WILLIAMS. About 5½ cents. What is the tariff or import fee?

Mr. SCHNITTKER. The tariff is 62½ cents per hundredweight.

Senator WILLIAMS. All right, and that is the only tax they have to pay as it enters this country; is that correct?

Mr. SCHNITTKER. At the present time, yes.

Senator WILLIAMS. We did have a special import fee heretofore; and under that we recovered what percentage of the difference between the world market and our domestic market?

Mr. SCHNITTKER. I am going to ask Mr. Murphy to answer that; he is not such a newcomer to sugar, sir, as I am.

Mr. MURPHY. Senator, that provision was in effect from the middle of 1962 through the end of 1964 when it expired, and on the Cuban reserve sugar, the fee amounted to the difference between the domestic price and the world market price.

Senator WILLIAMS. That is a hundred percent?

Mr. MURPHY. A hundred percent on that portion of the imports.

Senator DOUGLAS. You haven't answered the question. The Senator from Delaware asked how much total in money was recovered.

Senator WILLIAMS. I was asking percentage first and then I was going to get to money, too.

Senator DOUGLAS. Excuse me.

Mr. MURPHY. On sugar from the Republic of the Philippines there was no fee. And on sugar within the quotas for other countries there was a fee of 10 percent of the market differential in the last half of 1962, 20 percent in 1963, and 30 percent in 1964.

Now, the amount of money recovered in the latter part of 1962 was about $37 million and in the very late part of last year was about $4 million.

The price of sugar in the world market in the interim period from early 1963 until the middle of 1964 was higher than the price in this market, so there was no fee in effect.

Senator WILLIAMS. Did you collect on all of the sugar that was committed for delivery into this country during the year of 1964, or was part of that waived?

Mr. MURPHY. Almost all of it was not subject to any fee, and the reason was this: Late in 1963, the price of sugar in this country was well below the world price. It was assumed that the price of sugar in the United States, beginning in 1964 would inescapably go up to the world price.

Fortunately, it was possible to get countries to commit enough of their sugar to convince the market that the United States had its requirements for 1964 established.

Now, at the time of that commitment, there was no fee. As a matter of fact, the countries assumed they were going to take a loss of about $45 a ton.

Senator WILLIAMS. Did they?

Mr. MURPHY. They did in some instances and in some instances they did not. If they delivered the sugar after the first of the year—sometime in June—they actually got more than they would have gotten in the world market at that later time.

Senator WILLIAMS. But they still paid no tax?

Mr. MURPHY. They still paid no tax because the sugar was all committed when there were better opportunities in other markets.

Senator WILLIAMS. My question is, under what authority could the administration waive that tax which was in effect up until the end of 1964? I thought that it was a mandatory tax.

Mr. MURPHY. Well, it was. The administration waived nothing. Under the bill, rather under the Sugar Act of 1962——

Senator WILLIAMS. You didn't collect it though, did you? You didn't collect a tax which was on the books; isn't that true?

Mr. MURPHY. We did collect the tax on the sugar that was committed to our market very late in 1964 when there was a premium in our market, we collected each dollar of that tax.

Senator WILLIAMS. Perhaps I misunderstood you. I thought you said some of the sugar came in during that period in which there would have been a tax due, and—is that correct?

Mr. MURPHY. That is correct, sir.

Senator WILLIAMS. And you did not collect the tax?

Mr. MURPHY. That is right.

But there is a reason for the difference in the two situations. The reason is that the law provided that the Secretary would determine what the fee should be from time to time, and once that determination was made countries could undertake to fix the fee not only on deliveries that day or that week, but for months ahead.

Senator WILLIAMS. I don't altogether quarrel with what you did. It may have been proper, but I raise the question as to how you did it because I thought that the tax was in effect. What is the use of our passing these laws if you arbitrarily waive them?

I wish you would furnish for the committee a complete list of what the tax would have been had it been imposed and collected until the end of 1964 as it was provided in the law, along with the names of the companies involved, the countries, the tonnage, and the dollar volume as to what was waived and include your reasons therefor.

I wish you would furnish it for the record.

Mr. MURPHY. Senator, we will certainly do that. Can I make one comment, though?

Senator WILLIAMS. Sure.

Mr. MURPHY. The Government did enforce the law just as it was written, and we will furnish the details for the record.

Senator LONG. May I ask that information be provided today? You can do that today if you get to work on it. I will ask you to do it now.

Mr. MURPHY. Yes.

(There was insufficient time to compile the complete data by individuals and for each country for inclusion in the printed record; however, the following data was submitted:)

AMOUNT WHICH WOULD HAVE BEEN COLLECTED UNDER THE VARIABLE IMPORT FEE PROVISIONS OF THE SUGAR ACT ASSUMING FEE APPLICABLE AT TIME OF IMPORTATION

Arrangements for the sale of sugar through commercial channels are usually worked out well in advance of the time that the sugar actually arrives in the United States.

From the viewpoint of both the buyer and seller, the market price in alternative markets is important at the time of commitment rather than at the later time when delivery occurs. Once commitment is made, the alternative opportunity ceases to exist.

The import fee provisions of the Sugar Act Amendments of 1962 provided that the "* * * payment shall be made in accordance with regulations promulgated by the Secretary." Shortly after the amendments were enacted, at the request of persons who import sugar into the United States, the Department developed regulations that enabled importers to establish the amount of the fee at the rate in existence at the time quota was set aside for a given quantity of sugar to be imported at a later date by entering into a contract and supported by a letter of credit for the amount of the fee. Under this procedure, importers could then contract for the purchase of sugar in foreign countries, and arrange charters for shipping. They would have all the relevant information; namely, market cost of the sugar, fee to be paid to the U.S. Government at the time of importation, and shipping costs.

The adjustment of the fee did not affect the amount payable with respect to any sugar covered by contract for the set-aside of quota. Sugar not covered by contract for set-aside of quota would be subject to the newly adjusted fee, higher or lower.

Late in 1963 the domestic price for raw sugar was well below the world price. Since our import needs for the balance of that year had been arranged, this did not bring immediate upward pressure on our domestic price. It was widely believed, however, that when the United States went to market for its 1964 import requirements, the U.S. price would inescapably rise to the level of the world price.

Two actions were taken to offset this belief. First, the Secretary of Agriculture announced that he would recommend to the Congress unlimited marketings of domestically produced sugar during calendar year 1964. This served as notice that the United States would actually need about 500,000 tons less sugar imports than had been previously expected.

Second, during the final days of 1963 and the first 2 weeks of 1964 the United States was successful in getting the reduced quantity of imports committed to this market. At that time there was no fee in effect since the world market price was more than 2 cents a pound higher than the domestic price. Had the effort not been successful, the U.S. price would have risen to the world level.

The world price continued above the domestic price through May 1964. Thereafter it fell below the domestic price and continued to fall, finally to less than 2 cents a pound in June of this year.

The attached exhibit A shows that $56.4 million would have been collected in 1962, 1963, and 1964 on the assumption that prices in the two markets would have been identical with what they actually were and if the fee on imports had been fixed at time of entry of the sugar rather than at time of commitment. The total amount of fees actually collected amounted to $41.2 million and no fees were waived.

The exhibit does not reflect how much more consumers would have paid during this period, not only for imported sugar but for all sugar consumed in the United States, had our price been permitted to rise to the world market level. However, the attached exhibit B shows that on imports of sugar from our foreign suppliers consumers saved of the order of $158 million.

EXHIBIT A.—*Import fees on sugar—Assuming the fee rate had been based on the average "quota premium" for the month the sugar was imported*

Year and month	Quota premium [1]		Raw sugar imported as—		Import fees applicable to sugar imported as—		
	Cents per pound	Per short ton	Basic or deficit quota (raw value)	Global quota	Basic or deficit quota [2]	Global quota [3]	Total, col. 5 plus col. 6
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1962							
July	2.59	$51.80	57,451	42,549	$297,596	$2,204,038	$2,501,634
August	2.42	48.40	124,602	84,394	603,074	4,084,670	4,687,744
September	2.37	47.40	221,215	216,785	1,048,559	10,275,609	11,324,168
October	2.35	47.00	336,671	139,329	1,582,354	6,548,463	8,130,817
November	1.90	38.00	259,329	93,671	985,450	3,559,498	4,544,948
December	1.36	27.20	163,484	12,516	444,676	340,435	785,111
1963							
January	.40	8.00	56,326	150,590	90,122	1,204,720	1,294,842
February	(4)	(4)	(4)	(4)	(4)	(4)	(4)
1964							
June	.20	4.00	148,501	74,051	178,201	296,204	474,405
July	.53	10.60	148,618	34,957	472,605	370,544	843,149
August	.89	17.80	127,106	122,946	678,746	2,188,439	2,867,185
September	1.57	31.40	120,383	178,231	1,134,008	5,596,453	6,730,461
October	1.65	33.00	190,563	96,940	1,886,574	3,199,020	5,085,594
November	1.85	37.00	284,843	0	3,161,757	0	3,161,757
December	2.87	57.40	231,091	0	3,979,387	0	3,979,387
Total							[5] 56,411,202

[1] Quota premium equals spot price of raw sugar, duty paid New York City minus comparable world price.
[2] Col. 3 times col. 2 times 10 percent (for 1962), 20 percent (for 1963), 30 percent (for 1964).
[3] Col. 4 times col. 2.
[4] February 1963 through May 1964 the domestic price was less than comparable world price.
[5] This figure compares with actual collections of $41.9 million.

EXHIBIT B.—*Losses by foreign suppliers during 1963 and 1964 when world market price exceeded U.S. price for sugar (assuming all sugar sold at average price sacrifice during period; actually some was sold more advantageously, some less so)*[1]

Country	Quantity imported, February 1963–May 1964 (short tons, raw value)	Total amount of loss during period (thousands of dollars)
Argentina	234,290	6,841
Australia	184,603	5,390
Belgium	7,462	218
Brazil	464,978	13,577
British Honduras	5,195	152
British West Indies	171,712	5,014
China, Republic of	118,393	3,457
Colombia	45,030	1,315
Costa Rica	56,820	1,659
Dominican Republic	719,937	21,022
Ecuador	51,089	1,492
El Salvador	25,408	742
Fiji Islands	48,565	1,418
France	23,242	679
French West Indies	109,416	3,195
Guatemala	69,858	2,040
Haiti	38,989	1,138
India	155,508	4,541
Ireland	9,973	291
Malagasy Republic	0	0
Mauritius	66,606	1,945
Mexico	650,442	18,993
Nicaragua	55,852	1,631
Panama	24,519	716
Peru	430,435	12,569
Reunion	9,893	289
South Africa	135,083	3,944
Southern Rhodesia	10,889	318
Turkey	6,578	192
Venezuela	11,907	348
Subtotal	3,942,373	115,117
Philippines	1,486,711	43,412
Total	5,429,084	158,529

[1] Average per ton differential between world price and U.S. price for period February 1963–May 1964, $29.20.

Senator WILLIAMS. This seemed to be a rather fair method for the taxpayers, who automatically are the consumers, to pick up some of this difference between the world market and our market, and it would have eliminated a lot of the problem now. I am wondering why the administration doesn't have in its recommendations a continuation of such a tax or a provision to recover some of this difference between the world and the domestic prices. As Senator Long pointed out, that could be a two-way street, because we find we have to pay it when it goes up anyway. But why should we not have a formula when, as in the present instance, there is a difference of say 4 cents between the world market and our market, that we could recover half of that now in the form of some kind of a tax and then if it goes above the world price we could pay a little extra?

Mr. SCHNITTKER. Well, Senator, there was a great deal of discussion of this question before the administration position on sugar, on the sugar legislation, was taken, and it was determined finally not to recommend any import fee primarily on the ground that most of the suppliers of sugar to the U.S. market are countries which are greatly in need of foreign exchange, they are developing countries, and in many cases they are countries to which we provide a good deal of foreign aid.

It was thought to be incompatible with our need and our policy to assist these countries in their financial and development efforts, and at the same time to assess a fee, a special fee, on their exports of sugar to this market.

Senator WILLIAMS. Well, wouldn't it be better to collect the tax and then if Congress and the administration decided that the countries needed this as a foreign aid to give it back to the countries specifically where the country could use it for the benefit of its people?

Is it not true that to a large extent these benefits do not go to the countries involved but to companies within the countries, to individuals, and a lot of the proceeds that are extra end up siphoned into Switzerland or in Swiss banks rather than benefiting really the country or the people of the country, isn't that true?

Mr. SCHNITTKER. I can't vouch for where the money goes, Senator, but I believe that in the sugar-supplying countries, just as in this country, that it is mainly business that makes the world go round. It is sugar business in Peru and sugar business in Colombia and Mexico that provide jobs for workers and investment opportunities for investors and management opportunities for management.

So, while there is certainly an area for foreign aid in any of these countries for special projects we believe there is also a very broad area for returning more to the business enterprises in those countries and this is what the proposed Sugar Act would do.

Senator WILLIAMS. Well, I expect I would support the private enterprise system more than maybe some of you in your Department, so I won't quarrel with you on that.

But in the private enterprise system we sit down and work out a deal that is mutually advantageous to both parties concerned and not a one-way street. This is not a business operation we are conducting; we know that and you know that. On a sound business basis if you don't have to you you don't enter into a contract with the other follow for 6 cents when you can buy something for 2 or 3 cents instead, and we have no business doing it.

Would you oppose provisions in the act which would permit that?

Mr. SCHNITTKER. We would oppose it.

Senator WILLIAMS. If they were incorporated in the bill you would rather see the bill defeated than enacted with that provision?

Mr. SCHNITTKER. We would have to look at all provisions.

Senator WILLIAMS. You would have to put a maybe on that, too.

Mr. SCHNITTKER. We would have to put a maybe on that.

Senator WILLIAMS. I would expect that you would.

In connection with the domestic quotas, why is it so important from the domestic quota standpoint that this bill be considered at this time? I understood that the expiration date for the present law is 1966.

Mr. SCHNITTKER. Yes, the end of 1966.

Senator WILLIAMS. The end of 1966.

What is it that makes it so mandatory that we act now when the law doesn't expire until the end of 1966?

Mr. SCHNITTKER. Well——

Senator WILLIAMS. Speaking from the point of view of domestic producers only.

Mr. SCHNITTKER. Under the existing Sugar Act the domestic beet area can market only 2,650,000 tons during this calendar year, the domestic cane area only 895,000 tons, so long as the total estimate for sugar utilization in this country is below 9.7 million tons; presently it is 9.3. At the same time that they can market only this limited amount, the U.S. market will require additional sugar in the last months of this year, and there would be several ways to get the sugar: one would be to raise the estimate of requirements very sharply, but the effect of that would be to first let in a large quantity of foreign sugar. To permit the U.S. processors to market the amount of sugar which they have since the first of the year expected to market this year, and which the U.S. market will require and at the same time to permit that marketing without bringing in excessive amounts of foreign sugar requires an amendment to the act.

Senator WILLIAMS. Now, when you get the sugar from the domestic producers what does its cost?

Mr. SCHNITTKER. About 6 cents or 7 cents.

Senator WILLIAMS. About 6 cents or 7 cents.

How much surplus do we have in the domestic warehouses that you want to use as a result of the act being passed?

Mr. SCHNITTKER. The amount which we would propose to be marketed in addition to amounts already authorized is 580,000 tons. That does not constitute, I believe, the full amount that processors would be very happy to market if they had the opportunity.

Senator WILLIAMS. My question is, Why can't we just pass a simple resolution authorizing you to market that 580,000 tons over and above the existing law and forget this until next year?

Mr. SCHNITTKER. The reason for this, Senator, is this is an integral part of a sugar act which is proposed and which we believe ought to be settled in this session of Congress, not only so that domestic producers can get in these additional marketings, but so that foreign suppliers will know what market they have, and U.S. consumers can be assured of an adequate supply of sugar in future years.

Senator WILLIAMS. I agree with you about the wisdom of acting, and I didn't mean to postpone this indefinitely. I was just speaking of until next year. As one member of the committee I am getting a little impatient that the end of each session we have a date with the sugar lobby and you gentlemen. I am wondering if this was so all-fired important where you have been the rest of this year?

Mr. SCHNITTKER. Well, sir, we have been writing uptown; we would like—we would also like this to be considered at the earliest possible time.

Senator WILLIAMS. But there is a way that it could be done by an extension, by authorizing you to increase the marketing for 580,000 tons this quarter, if we wanted to do it. We could come back here in January or February, when we had a little more time, and work out a reasonable solution on the foreign quotas. Would that be in order?

Mr. SCHNITTKER. That would certainly be possible.

Senator WILLIAMS. If it were done with the understanding that the committee was not pigeonholing the job at the first of the year but was going to take it up and give it our active consideration, don't you think that it would be better to do that under less strained circumstances than it would be to try to ram it through here in the last few days of the session?

Mr. SCHNITTKER. Senator, we have advanced a formula and procedure for allocating foreign quotas, for changing them over time in the event of emergency or in the event countries don't fill their quotas. I don't believe that we would advance anything significantly different next year.

Senator WILLIAMS. I am pretty sure that is true. But you spent considerable weeks and months in study behind your proposal, didn't you?

Mr. SCHNITTKER. We did.

Senator WILLIAMS. It is very proper that you should, and any measure which requires that much study on the part of you gentlemen, who are experts, is going to require a little more than 48 hours' study on the part of some of us gentlemen who don't understand it as well as you do.

Mr. SCHNITTKER. I can understand that.

Senator WILLIAMS. Yes.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. Mr. Schnittker, the Wall Street Journal this morning on page 26 gives the price of raw sugar New York per pound at 6.85 cents. You agree to that?

Mr. SCHNITTKER. Yes, sir.

Senator DOUGLAS. What is the approximate price of raw sugar in the Caribbean?

Mr. SCHNITTKER. I would have to refer to Mr. Murphy for that.

Mr. MURPHY. Senator, the approximate price of raw sugar in the Caribbean is about 2¼ cents a pound.

Senator DOUGLAS. Two and a quarter cents a pound.

Now, to deliver this in New York you would have to pay a tariff of 62½ cents per hundred?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Plus freight and insurance coming to about half a cent.

Mr. MURPHY. In addition to the tariff?

Senator DOUGLAS. Yes.

Mr. MURPHY. Yes.

Senator DOUGLAS. So that sugar bought in the free market in the Caribbean to be delivered in New York at 3⅓ cents roughly?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. How much is the price for it, American price?

Mr. MURPHY. Six hundred and eighty-five one-hundredths.

Senator DOUGLAS. Or a bonus of 3½ cents——

Mr. MURPHY. Yes, sir.

Senator DOUGLAS (continuing). A pound is being paid.

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Do you make your computations in short tons?

Mr. MURPHY. Yes.

Senator DOUGLAS. So this is a bonus of $70 a ton?

Mr. MURPHY. Yes.

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. You propose to import 4 million tons.

Mr. MURPHY. Well, that is a little high and all of it is not subject to this excise, would not have been subject to the——

Senator DOUGLAS. About 4 million tons.

Mr. SCHNITTKER. About 1 million tons of that would be from the Philippines.

Senator DOUGLAS. Nearly 3 million tons.

Mr. MURPHY. To the low side of the 3 million tons.

Senator DOUGLAS. All right. It is a premium of $210 million a year. Assuming that this continues for 5 years, this is a bonus of $1,050 million.

Mr. MURPHY. On that assumption.

Senator DOUGLAS. It is a very large sum to load on the American consumer.

Mr. MURPHY. Senator, I believe that the record of the world price since the war clearly indicates that it does not reflect the cost of production.

Senator DOUGLAS. I have figures on that. I have figures and I find that even allowing for the roughly 1.1 cents for tariff and shipping costs the disparity from 1948 to 1964 is 1⅛ cents per pound or over a period of—a 17-year average, this would be roughly $23 a ton each year and with importations at the time averaging well over 4 million tons the bonus will come to well over $100 million a year for the 17 years, so the bonus which American consumers have paid to foreign producers has been at least a billion three-quarter million dollars over these 17 years. The figures from January to September 1965 indicated a differential after tariffs and shipping costs of 3.6 cents or $72 a ton. So that has been the condition not merely as of today but over all of 1965. There are many of us who feel that this is an improper charge upon the American consumer for the benefit of foreign producers. I find myself in agreement with the Senator from Delaware in questioning this proposal very strongly.

Is it true that during 1965 you held that the 1962 provision on an import fee did not apply?

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. Is it true that during the same period you have held that the provision in the same act providing for country-by-country quotas does apply?

Mr. SCHNITTKER. That is not correct.

Senator DOUGLAS. Country by country.

Mr. BAGWELL. Not the exact quotas set out in the act. But we have taken the position there is legal power to impose quotas on foreign countries.

Senator DOUGLAS. And pay the American price.

Mr. BAGWELL. That is correct.

Senator DOUGLAS. But that you have no authority to impose the import fee.

Mr. BAGWELL. That is correct.

Senator DOUGLAS. How is it that you are able to say that one provision of the act does apply, and another provision in the same act does not apply?

Mr. BAGWELL. Senator, I have a written opinion on that. I will be glad to supply it for the record. But it is very clear in the statute as to the fee.

Senator DOUGLAS. Just explain to the Senators. Did the whole act not expire in 1964?

Mr. BAGWELL. No, sir.

Senator DOUGLAS. Did the foreign provisions of the act not expire in 1964?

Mr. BAGWELL. The foreign quotas set out in the act expired in 1964. We have continued those quotas under a general provision of the Sugar Act.

Senator DOUGLAS. At U.S. prices.

Mr. BAGWELL. That is correct.

Senator DOUGLAS. But you discontinued the global quota, which we could have purchased at world prices.

Mr. BAGWELL. May I just read the provision of law——

Senator DOUGLAS. Have I stated the facts correctly? You continued one, discontinued the other.

Mr. BAGWELL. That is correct. That is correct.

Senator DOUGLAS. And both provisions in the same act.

Mr. BAGWELL. In the same act. But they are not worded the same way by any means. And the meaning and the intent of the law is not the same with respect to the quotas and the import fee.

Senator DOUGLAS. Who is to be the judge of intent, pray?

Mr. BAGWELL. I will be happy to read this.

Senator DOUGLAS. Yes.

Mr. BAGWELL. I am reading from section 213(c) of the Sugar Act of 1948 as amended in 1962. "As a condition for importing sugar into the continental United States pursuant to"—and I will skip these provisions; they are references to certain provisions of the law—"an import fee shall be paid to the United States during the years 1962, 1963, and 1964, which fee in such years shall be"—and then the rate is specified for each year.

Senator, I know no way—as a lawyer, I know of no way that we could have extended beyond 1964 the fee under the Sugar Act.

Senator DOUGLAS. Where did you find the authority to continue your country-by-country quotas beyond 1964?

Mr. BAGWELL. Well, the section 403 of the Sugar Act of 1948 the same statute—the Sugar Act of 1948.

Senator DOUGLAS. Did that not apply to 1962, 1963, 1964, and was not of indefinite duration?

Mr. BAGWELL. Pardon me?

Senator DOUGLAS. Were not the country-by-country quotas for 1962, 1963, 1964, and not for indefinite duration?

Mr. BAGWELL. The ones that were specified in the act in so many tons, for the countries listed, that is correct.

Senator DOUGLAS. For 1962, 1963, 1964. But you continued them to 1965, have you not?

Mr. BAGWELL. That is correct. And also 1966.

Senator DOUGLAS. How can you discontinue in one case and extend in the other when in both cases they were restricted to 1962, 1963, 1964? Either continue both of them or drop both of them, but not have differential treatment between the two.

Mr. BAGWELL. The simple reason is, Senator, that in my opinion the statute authorized it in one case and did not in the other.

Senator DOUGLAS. As usual, you favor the foreigner, but not the taxpayer or the consumer.

Mr. BAGWELL. I have a signed opinion which I will be happy to submit for the record.

Senator DOUGLAS. I think you should submit it for the record. But it is not true that the provision on the quotas by countries also was to apply to 1962, 1963, 1964?

Mr. BAGWELL. Those particular quotas were to apply for those years.

Senator DOUGLAS. Yes. And you have continued them for 1965, have you not?

Well, how can you continue them to 1965, when the act did not provide that they were to be continued to 1965, but discontinue the import fee, and by discontinuing the import fee, you have done the U.S. Treasury out, apparently, of $70 million a year.

Mr. BAGWELL. Senator, it is quite clear from the Sugar Act as a whole, as it was passed in 1962, that the Congress did not intend that beginning in 1964 all sugar should be shut off from foreign countries, nor did they intend that you should open the floodgates, which in either case would mean the end of the sugar program.

Senator DOUGLAS. Just a minute. I happened to have written the import fee provisions, first in 1961, which passed this committee, passed the Senate, and was lost in conference, and also the 1962 provisions. You say we did not intend it. I say we did intend it—we finally had to reach a compromise—but we did not intend that the compromise would be one under which one section of the law expired, and you would continue one section, costing the American consumer large amounts of money, and discontinue the other section, costing the Treasury apparently $70 million a year.

Now, you can say you decided that was not the intention of Congress. I do not think you can find that in any of the debates, or in any of the discussions inside this committee at all.

Mr. BAGWELL. Senator, I must respectfully disagree with you.

Senator DOUGLAS. What?

Mr. BAGWELL. I must respectfully disagree with you.

Senator DOUGLAS. Where do you get this intention? Did you find it in the air?

Mr. BAGWELL. The intention as to the fee is in the words of the statute itself.

Senator DOUGLAS. Yes. But the very same words apply to the quotas. And yet you continue them. How is it you say that you can stretch 1962, 1963, 1964, into 1965 for quotas, but that you cannot do it for the import fees?

Mr. BAGWELL. We extended, Senator, foreign quotas, but not the exact quotas that terminated in 1964. We did not extend the quotas in the exact amounts that Congress wrote in the act in 1962.

Senator DOUGLAS. Approximately the same amounts—approximately.

Mr. BAGWELL. I would not say "approximately."

Senator DOUGLAS. I would simply say this is an administrative monstrosity. I have defended you fellows, with the idea there should be proper administrative discretion. But you certainly do not have the right to give this treatment. It always comes out against either the taxpayer or the consumer.

Mr. SCHNITTKER. Senator, we will submit the opinion for the record.

(The opinion of the Department of Agriculture General Counsel follows:)

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE GENERAL COUNSEL,
Washington, D.C., November 23, 1964.

Opinion of the General Counsel No. 125.

Syllabus.—The Sugar Act of 1948 as amended by the amendments of 1962, authorizes the Secretary of Agriculture to establish sugar quotas for 1965 and 1966 for foreign countries other than the Republic of the Philippines, but the imposition of import fees after 1964 is not authorized under such act.

OPINION FOR THE SECRETARY

DEAR MR. SECRETARY: You have asked to be advised, in view of the present provisions of section 202 of the Sugar Act of 1948 which direct the Secretary of Agriculture to establish sugar quotas for 1963 and 1964 for foreign countries other than the Republic of the Philippines, whether there is a legal basis for establishing sugar quotas for 1965 and 1966 for such foreign countries pursuant to such act. You also have inquired whether import fees may be imposed in 1965 and 1966 under the present provisions of section 213 of the Sugar Act of 1948, as amended.

This will confirm my previous oral opinion that the establishment by you of sugar quotas for 1965 and 1966 for foreign countries other than the Republic of the Philippines is authorized under the present provisions of the Sugar Act of 1948, as amended, but that the imposition of import fees after 1964 is not authorized under the present provisions of section 213 of such act.

The relevant provisions of the Sugar Act may be briefly summarized as follows:

Section 101(j) defines the term "quota" in pertinent part as follows: The term quota, depending upon the context, means (1) that quantity of sugar which may be brought or imported into the continental United States during any calendar year from Hawaii, Puerto Rico, the Virgin Islands or a foreign country or group of foreign countries; (2) that quantity of sugar produced from sugarbeets or sugarcane grown in the continental United States which during any calendar year may be shipped or marketed in interstate commerce (7 U.S.C. 1101(j)).

Section 201 provides that the Secretary shall, in December of each calendar year, determine the amount of sugar in tons needed to meet the requirements of consumers during the next calendar year. The factors to be considered in making such determination are specified and the amount so determined (herein called consumption requirements) is subject to change from time to time as conditions warrant (7 U.S.C. 1111).

Section 202 provides that whenever the Secretary makes or revises a determination of consumption requirements under section 201, he "shall" establish or revise quotas. The amounts of the quotas for the domestic areas (with exceptions not relevant here) and for the Philippines are set out in tons of sugar. Subsection (c) of section 202 sets forth the manner for determining quotas for foreign countries other than the Philippines for the 6-month period ending December 31, 1962, and for the calendar years 1963 and 1964. It provides in paragraphs (2) and (3) thereof that for each of such years the quotas for such countries shall be established by prorating an amount, equal to the difference between the consumption requirements determined under section 201 and the sum of domestic area and Philippine quotas, in accordance with the percentages specified and to the countries named therein. Section 202 further provides (subsec. (c)(4)(A)) that whenever the United States is not in diplomatic relations with any foreign country "named in paragraph (3)," the proration of sugar to such country provided for in "paragraph 3 of this subsection" shall not be made, and such sugar may be obtained from countries with which the United States is in diplomatic relations. Sugar so obtained is generally referred to as "global quota" sugar (7 U.S.C. 1112).

Section 213 provides (subsecs. (a) and (b)) for an import fee in an amount approximating the excess of the domestic price over the world price as a condition to importing sugar purchased "pursuant to paragraph 4 of section 202(c) of this act." Thus, this fee is applicable to what is called global quota sugar. Section 213 further provides (subsec. (c)) that "during the years 1962, 1963, and 1964" sugar imported under individual country quotas (those prorations provided for the countries named in subsec. 202(c)(3)) shall be subject to an import fee in an amount equal to a specified percentage of the fee applicable to global quota sugar (7 U.S.C. 1123).

Section 412 of the Sugar Act provides that the "powers vested in the Secretary under this act shall terminate on December 31, 1966, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1966 and previous crop years" (7 U.S.C. 1101 note).

Section 403(a) of the act provides that the "Secretary is authorized to make such orders or regulations, which shall have the force and effect of law, as may be necessary to carry out the powers vested in him by the act" (7 U.S.C. 1153(a)).

The basic objectives of the Sugar Act of 1948 are set forth in the title of such act as follows: "To regulate commerce among the several States, with the territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; and for other purposes."

The principal mechanism provided for in the Sugar Act of 1948 to attain its objectives, consists of a determination by the Secretary in December of each year of the total quantity of sugar needed to meet the annual requirements of consumers in the United States, and the distribution of such quantity among domestic and foreign sugar-supplying areas by the use of sugar quotas that prescribe the portion of the total quantity each area may furnish. The statutory scheme is to limit the amount of sugar which may be marketed (including sugar imported) in the United States in such a manner as to carry out the act's objectives of protecting the welfare of the domestic sugar-producing industry, while at the same time protecting the consumer by insuring an adequate supply of sugar to meet their needs at reasonable prices. The statute functions also to promote export trade through the purchase of sugar from foreign countries which makes funds available to buy American products.

The introductory language of section 202 of the Sugar Act requires that 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—". [Emphasis added.] Such provision of section 202 not only empowers the Secretary to establish quotas, but literally imposes a duty upon him so to do. Such power terminates on December 31, 1966. The balance of section 202 sets forth directions to the Secretary with respect to quantities involved and the *manner* in which he shall exercise the power to establish quotas; in subsection (a) for domestic sugar-producing areas, in subsection (b) for the Republic of the Philippines and in subsection (c) for foreign countries other than the Philippines. The directions set forth in subsections (a) and (b) do not refer to a period of time that they will be in effect, and thus govern the Secretary in establishing quotas for domestic areas and the Philippines through 1966, the termination date of the powers vested in the Secretary under the act as provided in section 412 thereof. The directions in subparagraph (c) are limited to the 6-month period ending December 31, 1962, and the years 1963 and 1964, and consequently do not govern the Secretary after 1964 in exercising his power of establishing quotas.

We have reviewed the legislative history of the "Sugar Act Amendments of 1962" and find that the language "1963 and 1964" first appeared in section 202 as set out in the conference report (H. Rept. No. 1937, 87th Cong.). That report and the debates on it show clearly an understanding and intention that the provisions for the establishment of individual country quotas in the amounts and to the countries named in the act would terminate on December 31, 1964. It nowhere appears, however, that there was any intention on the part of Congress that the quota system should fall after 1964. Indeed, it would have been idle to provide detailed direction to the Secretary for establishing domestic quotas for 1965 and 1966 unless foreign quotas were also intended to be continued, since the Congress is aware, from a series of reenactments of substantially the same sugar legislation over a period of more than 25 years, that domestic quotas cannot be operated independently of foreign quotas.

The dispute between the two Houses of Congress, which gave rise to the necessity of a conference, concerned largely the question of how the various foreign countries were to participate in the quota "for foreign countries other than the Republic of the Philippines." There was no apparent controversy over the amount of the quota for foreign countries as a group since that was a residual amount after quotas for domestic areas and the Philippines were established, and division of the total quantity of consumer requirements between domestic areas and foreign countries became fixed for 1965 and 1966 by the provisions in the act that specified the amount of the domestic area quotas for such years.

Statements made in the course of the debates on the conference report, which appear in the Congressional Record for June 30, 1962, and July 2, 1962, indicate that some future congressional review was intended. Congressman Cooley said (p. 11499) that "before the end of 1964 we will take a look at all of those foreign allocations." Senator Humphrey stated (p. 11592), "There will be an opportunity, 2½ years from now, to review the entire foreign quota problem without inclusion of the domestic problem in negotiations."

There is, however, no legislative history which indicates that Congress was opposed to any sugar being imported from foreign countries other than the Philippines after 1964, or that it intended to divest the Secretary of authority to establish quotas if Congress failed to enact legislation directing the manner in which foreign country quotas should be established after 1964.

Section 412 of the Sugar Act of 1948 provides that "The powers vested in the Secretary under this act shall terminate on December 31, 1966, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1966 and previous crops years" (7 U.S.C. 1101 note). It may be noted that "the rule of express mention and implied exclusion may be resorted to as an aid in the construction of a statute where there is no plainer internal evidence of congressional intent."[1] Under the foregoing rule the express exception stated in section 412 with respect to the powers of the Secretary terminating on December 31, 1966, implies that Congress intended no other exceptions, and tends to reinforce the view that Congress intended that the power of the Secretary to establish quotas for all supplying areas should terminate on the same date.

Accordingly, under the provisions of section 202, when the Secretary in December 1964 determines the amount of sugar needed to meet requirements of consumers in 1965, he has the responsibility of establishing quotas. The exact amount and manner in which he shall establish quotas for domestic areas and the Philippines are specified in section 202. Since the total of such quotas is less than the quantity determined to meet consumer requirements, the Secretary, by the mandatory language of section 202, is required in my opinion, to establish a quota or quotas for such remainder or residual quantity. Quotas which in total do not equal consumption requirements are inconsistent with the concept of a determination of consumption requirements provided for in section 201 of the act. Foreign countries other than the Philippines are the only source of sugar from which the residual quota may be filled in view of the specific provisions of the act for determining domestic area and Philippines quotas for 1965 and 1966. Accomplishment of the objectives of the act, by means of a determination of the amount of consumption requirements and establishment of quotas, requires that the quota for foreign countries other than the Philippines for each of the years 1965 and 1966 equal the amount of consumer requirements determined pursuant to section 201 of the act less the sum of domestic area and Philippine quotas.[2]

Under the present provisions of section 202 of the act, Congress has not directed the Secretary as to the manner in which the quota for foreign countries other than the Philippines should be distributed among such countries after 1964. The Secretary may therefore in 1965 and 1966 under the present provisions of the act establish a distribution among foreign countries on such reasonable basis as he determines is consistent with achievement of the objectives of the act. The authority given the Secretary in section 403 of the act to issue regulations necessary to carry out the powers vested in him by the act, provides the basis of authority for issuing regulations establishing and distributing quota apportionments to individual foreign countries.

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[1] *Hunt Foods and Industries, Inc.* v. *F.T.C.*, 286 F. 2d 803, 807 (9 Cir. 1961).

[2] While we think our construction of the act follows from the foregoing analysis of its relevant provisions and the legislative history of these provisions, such construction is also in accord with recognized rules of statutory construction. The essential purpose of these rules is to discover the legislative will because the "intention of the lawmaker constitutes the law * * *." *Indianapolis, etc., Railroad Company* v. *Horst*, 93 U.S. 291, 300. The intention of the legislative body is to be gleaned from the reading of the statute as a whole with due regard to its purpose; if possible, effect must be given to every clause and every part of the statute; and all sections of a statute be reconciled so as to produce a symmetrical whole. *Brown* v. *Duchesne*, 19 How. 183, 194; *Ginsberg* v. *Popkin*, 285 U.S. 204, 208; *United States* v. *Menasche*, 348 U.S. 528, 538–539. *Power Commission* v. *Panhandle Co.*, 337 U.S. 498, 514. Another cardinal principle of statutory construction is that the legislative enactment should be saved and not destroyed and the courts are not inclined to adopt a construction which will make the statute a dead letter but will read the statute so as to avoid self-nullification. *Labor Board* v. *Jones and Laughlin*, 301 U.S. 1, 30. *Gemsco, Inc.* v. *Walling*, 324 U.S. 244, 255.

The provision of section 202 that expressly requires the Secretary to establish quotas remains in effect until December 31, 1966. However, the power to impose import fees under section 213 does not remain in effect until December 31, 1966. In the case of individual country quotas power to impose import fees is limited to 1962, 1963, and 1964. In the case of the global quota such power is limited to "sugar purchased pursuant to paragraph 4(A) of section 202(c)." Since, as heretofore pointed out, paragraph 4(A) of section 202(c) expires on December 31, 1964, and sugar may not thereafter be purchased pursuant thereto, it follows that the authority expressly limited in section 213 to the imposition of an import fee on sugar purchased pursuant to paragraph 4(A) of section 202(c), likewise will terminate on that date. Congress alone under the Constitution (art. I, sec. 8, cl. 1) has the power to impose taxes, duties, imports and excises (which would include an import fee), and such power to be exercised by the executive branch of the Government must be derived from a delegation by Congress of such power. The authorization in the act to issue regulations, in my opinion, is not such a delegation. Even assuming arguendo that such authorization would permit the imposition of fees on the importation of sugar if such fees were essential to the accomplishment of the objectives of the act and its effective operation, it would appear that no such showing of essentiality could be made. The determination of domestic sugar requirements and the operation of a quota system to fulfill such requirements do not depend for their effectiveness upon the imposition of the fee. The act operated without the imposition of fees for many years prior to the enactment in 1962 of the express provision in the act for an import fee. The import fee simply provided the means for recapturing in whole or in part for the U.S. Treasury the premium which would result from the sale of foreign sugar in the U.S. market at prices above world market prices.

It should be noted that section 207 of the act, which limits that part of a quota for an offshore domestic area or a foreign country that may be filled by direct-consumption sugar, provides in substance under subsection (g) thereof that the limitations established in such section shall continue in effect, even if the President pursuant to section 408 should suspend the provisions of title II of the act and no quotas thereafter would be in effect. By such provision Congress has clearly shown it intends that the direct-consumption limitations stand alone, and are not dependent upon quotas being established under any particular provision of title II either for domestic areas or individual foreign countries. Therefore, in my opinion the quantity limitations set forth in section 207 of the act would apply in 1965 and 1966 to quotas for foreign countries other than the Philippines even though such quotas are not issued under the present provisions of section 202(c) (3) which expire at the end of this year.

On the basis of the foregoing discussion it is my opinion that there is a legal basis as well as a duty under the provisions of the Sugar Act of 1948 for the Secretary to establish a quota for foreign countries other than the Philippines for each of the years 1965 and 1966 which shall equal the amount of consumer requirements determined pursuant to section 201 of the act less the sum of domestic area and the Philippine quotas; that he is not bound by the quota distribution among individual countries provided for in section 202(c) of the act which terminates at the end of 1964; and that the power to impose import fees pursuant to the provisions of section 213 of such act ceases on December 31, 1964.

Sincerely yours,

JOHN C. BAGWELL, *General Counsel.*

Senator DOUGLAS. That is your opinion. We make the law. You are supposed to interpret the law, not to make laws. Either you should have continued both or discontinued both.

Well, let me ask you this question.

This price of 6.85 cents in the domestic market—does that include the processing tax, the excise tax?

Mr. MURPHY. 6.85, sir, does not include the excise tax.

Senator DOUGLAS. It does not. Then there is a processing tax on that.

Mr. MURPHY. A half a cent a pound.

Senator DOUGLAS. Now, is that rebated back to producers?

Mr. MURPHY. Legally that is not rebated back to producers. But it does provide about $100 million of revenue to the Treasury. And there is a provision for direct payments to domestic producers which require payments of about $85 million a year.

Senator DOUGLAS. This is what in other commodities would be called the Brannan plan?

Mr. MURPHY. It might be.

Senator DOUGLAS. I did not hear the answer.

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. A hundred million dollars. So the American producers, both cane and beet, get the difference between what the price would be if we imported sugar, and the price actually received, and in addition approximately $100 million a year in payment. Is that correct?

Mr. MURPHY. Senator, the payments are about $85 million a year.

Senator DOUGLAS. Well, the figures that I have indicate that the 1964, they amounted to $90,519,371.

Mr. MURPHY. Senator, is that for a crop or a fiscal year?

Senator DOUGLAS. Crop.

I do not know that this is involved in the bill before us, but I send to you a statement of the 25 leading domestic producers, and the amounts of premiums which they have received, and ask you to look them over and see if they are correct.

I would like to read them off as I go.

According to my figures, U.S. Sugar Corp. of Florida received a bonus of $1,104,613.05 in 1963. Is that correct?

Mr. SCHNITTKER. Sir, I cannot vouch for that without checking the records, but it is substantially correct.

Senator DOUGLAS. Substantially correct. That is for the 1963 crop I think I should add. The Hawaiian Commercial & Sugar Co., Ltd., of Hawaii, $1,074,520.77.

The Oahu Sugar Co., Ltd., Hawaii, $574,552.89.

You nod your head. Does the record show that you agree this is substantially correct?

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. C. Brewer, Puerto Rico, Inc., Puerto Rico, $569,238.42.

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. Lihue Plantation Co., Ltd., Hawaii, $559,892.84.

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. I do not know how to pronounce this name. I will try it. Waialua Agricultural Co., Ltd., Hawaii, $549,392.78.

Is that correct?

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. Okeelanta Sugar Refinery, Florida, $548,282.33.

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. Luce & Co., Puerto Rico, $539,645.20. Ewa Plantation Co., Hawaii, $460,721.35.

Correct me if I am wrong. If you do not correct me, I will assume that my statement is correct.

Pioneer Mill Co., Ltd., Hawaii, $444,611.23. Kekaha Sugar Co., Ltd., Hawaii, $399,285.52. Grove Farm Co., Ltd., Hawaii, $368,795.14. Pepeekeo Sugar Co., Hawaii, $362,866.55. Hawaiian Agricultural Co., Hawaii, $359,090.02. South Coast Corp., Louisiana, $356,593.10. Antonio Roig Sugars, Puerto Rico, $346,517.03. Laupahoehoe Sugar

Co., Hawaii, $344,705.63. Kohala Sugar Co., Hawaii, $332,175.94. Olokele Sugar Co., Ltd., Hawaii, $312,628.01.

Puna Sugar Co., Ltd., Hawaii, $298,803.48. Wailuku Sugar Co., Hawaii, $296,681.89. McBryde Sugar Co., Ltd., Hawaii, $294,161.87. Hutchinson Sugar Co., Ltd., Hawaii, $287,647.39. Suc. J. Serralles, Puerto Rico, $273,404.51. Onomea Sugar Co., Hawaii, $268,893.81.

Do you notice any appreciable errors in this list?

Mr. SCHNITTKER. No, sir.

Senator DOUGLAS. I wonder if you would get ready the next 25 for us, companies with the next largest premiums—production payments.

Mr. SCHNITTKER. We could produce those, I believe, for the record.

(The list of Sugar Act payments from the 26th to the 50th largest follows:)

Sugar Act payments, 1963 crop

Name	Area	Payment
Southdown, Inc	Louisiana	$251,883.28
Hilo Sugar Co., Ltd	Hawaii	219,577.59
Kahuku Plantation Co	do	200,247.80
Honokaa Sugar Co	do	194,321.46
Gay & Robinson	do	176,998.15
Kilauea Sugar Co., Ltd	do	169,638.86
Hamakua Mill Co	do	162,812.03
Talisman Sugar Corp	Florida	154,980.47
Florida Sugar Co	do	153,802.09
Paauhau Sugar Co., Ltd	Hawaii	139,861.57
Sterling Sugars, Inc	Louisiana	136,333.69
Heirs of Gabriel Pla, Decd, et al	Puerto Rico	123,096.72
Vicorp	Virgin Islands	120,479.24
A. Duda & Sons	Florida	111,248.35
Closter Farms, Inc	Puerto Rico	109,001.18
Ramon Gonzalez Hernandez	Puerto Rico	108,592.20
Milliken & Farwell, Inc	Louisiana	104,974.05
A. Wilbert & Sons L & S Co	do	99,725.55
M. Mercado E. Hijos (partnership)	Puerto Rico	94,819.57
Osceola Farms Co	Florida	93,579.29
South Florida Sugar Co	do	93,306.84
Antonia Cabassa Vda Fajardo et al	Puerto Rico	92,568.87
Sugarcane Farms Co	Florida	80,369.60
715 Farms Ltd	do	80,105.02
Savoie Industries	Louisiana	77,739.96

Senator DOUGLAS. I would appreciate that.

I would merely like to remark, Mr. Chairman, this sugar bill and program in its entirety has cost the American consumer billions upon billions of dollars.

In the material which the staff has prepared, the Sugar Act payments by areas and by crop years, for the years 1937–64—these are crop years—comes to a total of $1,620,712,868. Those are in direct payments—roughly $1¾ billion.

In addition to this, the consumers have had to pay the difference between the high domestic price and the much lower world price. And this over a period of time I am quite certain has come to many hundreds of millions of dollars and, indeed, several billions.

But the sugarbeet interests and the cane interests are so deeply entrenched that I think it is impossible for us to move to any free entry of sugar, although from the world standpoint and our own standpoint I think it would be much better. The Caribbean is the natural sugar bowl for the United States. In this way we could reduce the cost of living to the American consumer, and in addition we would have a big market for our exports to these countries. And from the standpoint of national security and the world standpoint, it would be much better. But this is for the future. Certainly it is impractical for the present.

But let us turn to the 2,360,000 tons, which we get from the foreign countries other than the Philippines.

What is the argument for doing away with the import fee and paying the domestic price?

Mr. SCHNITTKER. Senator, the argument is that—the fact is that these countries are primarily developing countries, short on foreign exchange. Many of them, if not most of them, are recipients of foreign aid from the United States whose economies can benefit very materially from the full premium.

Senator DOUGLAS. In other words, this is a foreign aid argument.

Mr. SCHNITTKER. Essentially a foreign aid argument.

Senator DOUGLAS. Now, the Senator from Delaware in one sentence made, I thought, raised a very interesting question when he said how much of this will trickle down to the people of the producing countries. Will not the money be really intercepted by the plantation owners and a large part of the money be sent to Switzerland as liquid funds so they can get out on if anything happens to them?

Mr. SCHNITTKER. Senator, I cannot vouch for the final disposition of the funds, but I am confident that a very appreciable amount of it simply goes into sustaining and building up the economy of the country.

Senator DOUGLAS. Well, do you make any requirements that this bonus, amounting to—I change my figures now—apparently amounting to at least $150 million a year, is to be used by the receiving countries for social improvements, such as schools, health, investment in roads, investment in industry, and the rest? Or is this just handed out as a bit of largess?

Mr. SCHNITTKER. Well, there is no requirement by the U.S. Government that they handle it in any——

Senator DOUGLAS. There are no requirements.

Mr. SCHNITTKER. No requirements.

Senator DOUGLAS. What would you say to an amendment that the $150 million be collected in import fees and impounded as an addition to the Alliance for Progress?

Mr. SCHNITTKER. We would say that we believe it is better to let that amount, if it is that amount, in any given year, flow to the Alliance countries through trade rather than aid.

Senator DOUGLAS. You mean it would flow to the plantation owners. Is it not true that in virtually all of these countries the sugarlands are concentrated in rather a few hands?

Mr. SCHNITTKER. I believe that is often correct.

Senator DOUGLAS. Yes. I have checked those figures through most of the Latin American countries. It is substantially correct.

You say you believe in stimulating free trade with these countries. This is not free trade—it is highly subsidized—a big bonus going to a relatively small group of wealthy plantation owners who do not invest in their own countries, who as a matter of fact for some years exported their rents to Switzerland and to foreign banks. And you still think it is better to give these people the money than to put it as an extra amount in the Alliance for Progress where it could be used directly for the economic building up of these countries.

Mr. SCHNITTKER. Well, I think that you are substantially overstating the concentration of the sugar industry and the export of money from the recipient countries.

Senator DOUGLAS. Well, it is hard to get the specific figures. But I have spent considerable time when I have been in Latin America in collecting some of these figures. and I think it is substantially true that in the main the sugar lands are held by a relatively small group of people. In El Salvador, for instance, which is a relatively prosperous although heavily populated country, there is a dispute as to whether it is 12 families or 41 families or 4 families which own virtually all the land—both for coffee and sugar.

Well now, did you not take this position last December? Last December did not both State and Agriculture favor the imposition of an import fee?

Mr. SCHNITTKER. I do not recall that either State or Agriculture were on record last December.

Senator DOUGLAS. Did you not make an announcement that you favored the import fee?

Mr. SCHNITTKER. I stand corrected in making the announcement of certain sugar regulations for the coming year. It was indicated that the administration expected to recommend a sugar act, including an import fee. During the ensuing 8 months——

Senator DOUGLAS. My memory on that is apparently a little better than yours, Mr. Secretary.

Now, what happened between December and August? What deep-seated change came over you?

Mr. SCHNITTKER. As I understand it, in December the announcement represented an indication of decision, but not a decision.

Senator DOUGLAS. An adumbration, to use a multisyllabic word, an adumbration. Why did not the reality conform with the adumbration?

Mr. SCHNITTKER. I believe because of the determination that the dollar needs of these countries overrode our need to levy a fee.

Senator DOUGLAS. In other words, the interests of the American taxpayer were sacrificed for the interests of the foreign sugar plantation owners.

Mr. SCHNITTKER. I think—the interests of the American taxpayer, sir, were reconciled somewhat more with the interests of the Caribbean governments.

Senator DOUGLAS. I notice in the quotas for 1966, you proposed that the French West Indies should get 43,000 tons. Now, that amounts to a subsidy of—at present prices—of about a million and a half dollars a year. This strengthens the American balance of payments, does it—a million and a half dollars going to the French West Indies?

Where will the moneys collected by the French West Indies go? Will they not be claims by the French Government against the American Government, or the American Federal Reserve System?

Mr. SCHNITTKER. Yes, they will.

Senator DOUGLAS. Yes. Is it not the avowed policy of General de Gaulle to cash in on these claims and ask for gold?

Mr. SCHNITTKER. I understand that this is the case.

Senator DOUGLAS. Yes, so you give a million and a half dollars worth of bonuses at the expense of the American consumer to plantation owners in Martinique and Guadeloupe, the balances of which will go into French banks and constitute claims against American gold, and according to General de Gaulle, will be cashed in on. Therefore, you worsen the financial position of the United States.

How fantastic can you get?

Mr. SCHNITTKER. I doubt, sir, if the small sugar quota to the French territories will be a very important factor in the balance-of-payments situation.

Senator DOUGLAS. Well it is a million and a half. That may not be very much to an Under Secretary or Secretary down in your building on Independence Avenue, but it is a good deal, I think. A million and a half dollars a year. Have we reached that point where we toss those figures around without being impressed?

Mr. SCHNITTKER. That is still a great deal of money, even down at the Department of Agriculture.

Senator DOUGLAS. Yes. I think you better pinch that million and a half for the Americans.

Now, let me ask you this question.

Is it not true that France absorbs sugar from its colonial possessions at prices above the world market?

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. What is the French price?

Mr. MURPHY. It is a little complicated, Senator, because it is in terms of refined sugar.

Senator DOUGLAS. Yes.

Mr. MURPHY. But it is 7 or 8 cents a pound.

Senator DOUGLAS. And what do you think the refining costs are?

Mr. MURPHY. There I would merely guess.

Senator DOUGLAS. Half a cent?

Mr. MURPHY. No, I would say over a cent.

Senator DOUGLAS. Over a cent. So that France really pays 6 cents a pound for sugar imported from Guadeloupe and Martinique, is that right?

Mr. MURPHY. I would say that 7 would be a more representative figure.

Senator DOUGLAS. Very good. Well, why not let France support its Latin American colonies? Why should we come in, too, particularly in view of the treatment which France has given us, and is giving us. Why should we take them out? Or would you prefer to refer that to the State Department?

Mr. SCHNITTKER. Senator Douglas, I am sure that Mr. Mann, who will testify later——

Senator DOUGLAS. I will await with interest his testimony.

Mr. SCHNITTKER (continuing). Will have more to say on that than I would.

Senator DOUGLAS. What is this?

Mr. SCHNITTKER. He will have more to say on this kind of a subject than I would.

Senator DOUGLAS. Let me ask you. What treatment does France give to our farm products?

Mr. SCHNITTKER. Well, France has never been a great market for our farm products.

Senator DOUGLAS. It would be?

Mr. SCHNITTKER. Has not been a very large market.

Senator DOUGLAS. Is it not true that General de Gaulle wants to bar American farm products from the French market, particularly wheat?

Mr. SCHNITTKER. I believe that is putting it too strongly. The operation of the European Economic Community may have the effect of reducing the imports of certain U.S. products.

Senator DOUGLAS. "May have." Is it not true that your boss, Secretary Freeman, has been properly shouting to high heaven for at least 4 years that the Europeans are barring American wheat and farm products from their markets, and we have been saved only by the short crops, where they have had to import, against their will? Is it not true that France aims to be the supplier of farm products for the Common Market and to have the Common Market bar as much as possible American farm goods?

Mr. SCHNITTKER. I believe that is correct.

Senator DOUGLAS. Yes. And yet you award France—you give to them a bonus of a million and a half dollars a year, when they are doing everything they can to bar their market to our products.

Now, I am a believer in the "Sermon on the Mount," that if a man strikes you on one cheek, turn the other. But I cannot go along with the doctrine that you must do it 99 times. I would say there is a limit of two or three.

Your balance-of-payments argument, therefore, does not stand up, does it? Nor will it stand up in the amounts which plantation owners receive and deposit in Swiss or Parisian banks. Because then they will become claims against the United States.

Well, let us turn to the British West Indies.

They are given 150,000 tons, or a bonus of well over $10 million a year.

Is it not true that Great Britain gives preferential treatment to its colonies and Commonwealths?

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. Is it not true that they have a price to Commonwealth countries of 5.7 cents a pound?

Mr. SCHNITTKER. That is about correct.

Mr. MURPHY. That is only, of course, the negotiated price portion.

Senator DOUGLAS. That is right. But that forms approximately three-quarters of the imports from the Commonwealth countries.

Mr. MURPHY. That is correct.

Senator DOUGLAS. 1,800,000 tons in 1964 as compared to 360 which received duty preference.

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. So as a matter of fact that is five-sixths.

Mr. MURPHY. Senator ~~Hi~~—

Senator DOUGLAS. Well now, let me ask you this.

Why should we take on the support of the British West Indies when England is already paying to its colonies a price above the world market price? Why do we have to give them an added $10 million?

Mr. SCHNITTKER. Senator, as I indicated, the formula, the procedure for apportioning the quota in the administration's recommendations was on the basis of performance in 1963 and 1964. It happens that most of the countries who had received quotas under the administration bill, and who had received substantial quotas, are developing countries to whom dollar exchange is extremely important. On this latter point there are some exceptions. And certainly you have raised the French West Indies and the British West Indies, which are exceptions to this rule.

But nonetheless, these are areas, countries, which did supply this market under periods of stress. We believe they would supply it in the future. And this is the overriding criterion for the apportionment of quotas in the administration bill.

Senator DOUGLAS. In other words, everybody is getting in on the act—you are distributing $150 to $200 million a year—and you might as well let the British colonies get $10 million. You are playing Santa Claus to the world so why deprive the British West Indies of sugar-plums?

Well, what about that 10,000 tons for the Bahama Islands? Have they ever produced sugar before?

Mr. SCHNITTKER. They have not to my knowledge produced sugar and do not have a plant, as I understand it. This recommendation was not in the administration bill but was in the House bill.

Senator DOUGLAS. Do you recommend continuing it?

Mr. SCHNITTKER. We recommended that it be taken out.

Senator DOUGLAS. Be taken out.

Do we have—what about Australia? Australia is one of the most prosperous countries in the world. It is part of the British Commonwealth of Nations and is underneath the special protection which Great Britain gives for sugar.

Why should Australia get 162,000 tons, which amounts to—at $70 a ton bonus—your arithmetic is better than mine.

Mr. SCHNITTKER. Australia is a recent entry to the suppliers of sugar to the U.S. market.

Senator DOUGLAS. $11 million.

Mr. SCHNITTKER. She is a recent entry to the suppliers of sugar. But she come through very well in the period when sugar supplies were short. We believe that the inclusion of Australia in the foreign quota improves our chances for stable supplies in the future.

In addition—and Mr. Mann may have more to say on this than I would—Australia is a very important ally of the United States in southeast Asia and is in addition——

Senator DOUGLAS. In other words, this is a foreign policy provision.

Mr. SCHNITTKER. It is not primarily foreign policy provision. But I am mentioning one of the windfalls of the——

Senator DOUGLAS. Windfalls, yes.

Mr. SCHNITTKER (continuing). Of the basic objectives, or the side effects of the basic objectives of the allocation.

Senator FULBRIGHT. Will the Senator yield?

Senator DOUGLAS. For a brief time. I am not going to yield permanently.

Senator FULBRIGHT. In this connection, the Fiji Islands production is owned primarily by an Australian company. Under the administration's bill Australia's quota is 186,772 tons. I think an Australian company produces the sugar allocated to the Fiji Islands.

Senator DOUGLAS. I think that is true.

Senator FULBRIGHT. 186,772 tons.

Senator DOUGLAS. That would be about $18 million.
Senator FULBRIGHT. She is not a recipient of foreign aid.
Mr. SCHNITTKER. Australia is not a recipient of foreign aid.
Senator DOUGLAS. They would be very offended if you said they were. But you are giving them, or at least the House is giving them, without your protest, $15 million bonus on sugar.
Mr. SCHNITTKER. Actually the House reduced Australia's quota some 24,000 tons below the administration's recommendation.
Senator DOUGLAS. You would have given them even more. You would have given them a million and a half more. So you would like to have Australia more liberally rewarded than the House has done.
Do you know anything about India, Mr. Schnittker?
Mr. SCHNITTKER. I have not been to India.
Senator DOUGLAS. Nor have I.
Mr. SCHNITTKER. I know just a very little about it.
Senator DOUGLAS. Is it not true that the people of India suffer from a deficiency of food?
Mr. SCHNITTKER. It is.
Senator DOUGLAS. Yet you are going to have them export to us 65,000 tons of sugar, diminishing by that amount the potential calories which the Indians can eat. I have tried to do a little multiplication now. That would diminish the consumption of India by almost a pound per man, woman, and child, contributing to the malnutrition of the Indians, but rewarding the people who grow sugar in India approximately $5 million.
Do you think this contributes to stable international relations, taking sugar out of the mouths of the Indian babies?
Mr. SCHNITTKER. India is offering sugar on the world market.
Senator DOUGLAS. Yes. At the expense of her people.
Mr. SCHNITTKER. And the fact that she can sell on the world market—at a premium in the case of the U.S. market—improves her ability to import badly needed foodstuffs and other things.
Senator DOUGLAS. Do you know that the money would be used for that purpose?
Mr. SCHNITTKER. We do not.
Senator DOUGLAS. Is it not true that we give—not sell—but give to India wheat which is keeping from one-third to one-half of her population alive? And I approve of that. But is that not true?
Mr. SCHNITTKER. Well, it is essentially true. But the figure one-third to one-half is far too high. We supply only the marginal 5 to 8 percent.
Senator DOUGLAS. Well, I am very glad that you are doing that. I have always supported the food-for-peace program. Senator Humphrey advocated it in the early days. I think I was the first person to come to his support, and I shall continue to do so.
But I do not like to see you putting wheat into the mouths of Indian people and taking sugar out at the same time——
Senator GORE. With the American taxpayer paying both ways.
Senator DOUGLAS. That is right. I do not object to food-for-peace. I do not. I want that clear. I am not making an argument against that.
South Africa, 30,000 tons, roughly. You recommended——
Senator FULBRIGHT. 96,000 tons.

Senator DOUGLAS. 96,000 tons. You were going to give them approximately $7 million.

Now, do you think that the policies of South Africa are such that they should be given this big bonus? Is this in the interests of international relations, to reward South Africa?

Mr. SCHNITTKER. Senator, I am not prepared to comment on——

Senator DOUGLAS. Incidentally, you had 9,000 tons for Southern Rhodesia, which is now threatening independence from the British Commonwealth of Nations. Do you think Southern Rhodesia and South Africa, two of the most intransigent countries in the world in race matters, should be rewarded by these large sums of money?

Mr. SCHNITTKER. Senator, I cannot comment on that. I hope that others——

Senator DOUGLAS. You cannot? Why can you not?

Mr. SCHNITTKER (continuing). That others will, except to say again that the primary criterion for the apportionment of quotas in the administration bill was performance in 2 years.

Senator DOUGLAS. Was what?

Mr. SCHNITTKER. Was performance in 1963 and 1964. And it does happen there are certain problems with South Africa, and certain problems with Southern Rhodesia which others can comment on better than I could.

Senator DOUGLAS. Does this indicate a certain degree to doubt in your own mind as to whether or not this is justified?

Mr. SCHNITTKER. No, sir.

Senator DOUGLAS. Your mind is not in doubt. You support the original administration proposal? South Africa, 96,000 tons?

Mr. SCHNITTKER. Yes, I do.

Senator DOUGLAS. You do; $7 million.

And now we come to the Fiji Islands, 45,000 tons in your recommendation; 24,000 as passed the House. When I was in the Pacific I never had the advantage of staying in the Fiji Islands. But what is the justification for the Fiji Islands?

Mr. SCHNITTKER. Again, Senator, the fact that when we needed sugar badly—and it was to the disadvantage of the Fiji Islands to ship it here; they could have made more money shipping it elsewhere——

Senator DOUGLAS. Why were they included in the first place?

Mr. SCHNITTKER. In the 1962–64 period they had—any country had the opportunity to ship sugar to this country on the global quota system.

Senator DOUGLAS. Did they not get a special quota, too, in the 1962 act?

Mr. SCHNITTKER. They had a very small quota in 1962.

Senator DOUGLAS. So this is in a sense a reward.

Mr. SCHNITTKER. In all cases it could be termed that, because the quotas are based upon performance——

Senator DOUGLAS. Is it not true that the Fiji Islands are included in the British system, as I have said, at about 5.7 cents a pound for sugar? Why cannot Great Britain take care of its Commonwealths and colonies? Why do we have to take up their white man's burden in addition? Are you not overloading the shoulders of Uncle Sam?

Mr. SCHNITTKER. I will have to defer comment on that to someone else.

Senator DOUGLAS. Do the British allow premium prices to any country outside the British Commonwealth or British Colonies, or Crown colonies?

Mr. SCHNITTKER. Mr. Murphy, I believe, could answer that.

Mr. MURPHY. Senator, They do not. The premium price is only to the members of the Commonwealth.

Senator DOUGLAS. That is right. But we give a premium price to members of the British Empire, or Commonwealth.

Mr. MURPHY. The biggest part of our premium price goes to members of the OAS.

Senator DOUGLAS. I understand. Do the British allow the OAS to come in under their premium price?

Mr. MURPHY. Under free imports, they can come in.

Senator DOUGLAS. Yes. But do they bring them in at the premium price?

Mr. MURPHY. No, sir. By the way, though, I believe that the fact that a million and three-quarters tons moves to the United Kingdom at five and three-quarter cents, and a considerable amount to France at a premium price, indicates pretty clearly that the world market price is not a real measure of value.

Senator DOUGLAS. Well, I am going to come to that matter later.

Now, Mauritius is, I believe, the most overcrowded island in the world, is it not?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. I regret the pressure of population on their natural resources. You propose to give them, however, about a million dollars at the world price—14,000 pounds.

What is the justification for that when they are already in the British Empire?

Mr. SCHNITTKER. Again, sir, the objective formula of performance in 1963 and 1964.

Senator DOUGLAS. Let us take Southern Rhodesia, as I have said—we have discussed that in connection with South Africa. They are going to get a bonus of about a little less than half a million dollars. And Swaziland—those are all in—what are they? Southern Rhodesia is part of the British Empire. Swaziland—is that part of the Empire or an independent state?

Mr. SCHNITTKER. It is in a transitional stage.

Senator DOUGLAS. For which the British assume transitional obligations; is that true?

Mr. SCHNITTKER. I believe that is correct.

Senator DOUGLAS. Now, you have the Malagasy Republic. Was that formerly a British or a French possession?

Mr. SCHNITTKER. French, I believe.

Senator DOUGLAS. Well, now, look. You are going to give them another half million dollars. Paris is still their financial backer. The money which Malagasy receives will be deposited in French banks, will be claims against the American dollar, as much as the dollars deposited by the Martinique and Guadaloupe planters.

No answer to that?

Mr. SCHNITTKER. Well, that is to the extent that your premise is correct, it would certainly occur in those countries, as well as others.

Senator DOUGLAS. Do the French allow the sugar from the OAS countries to come in?

Mr. SCHNITTKER. I believe they may import some sugar from Latin American countries.

Senator DOUGLAS. At what price?

Mr. SCHNITTKER. Not at a preferential price.

Senator DOUGLAS. Exactly. At the world price. But we admit sugar from Malagasy at domestic price, at present $72 a ton more than world price.

Mr. SCHNITTKER. Yes, sir.

Senator DOUGLAS. Well, I would certainly be very critical on these quotas outside the Western Hemisphere.

It may well be that because of the coming of Castro to Cuba, that we do assume responsibility for preventing Communist governments from coming to power in the Western Hemisphere and certainly in the Caribbean area.

And it may be that in return for this, we have some economic obligation to them.

I would like to ask you, though, about Haiti.

I would think that the Government of Haiti is probably one of the worst governments in the world—there you have a President who maintains himself by a murder gang and overawes opposition in the most brutal way. Yet you wanted to give to Haiti about 19,000 tons, and the House gave 29,000 tons, which comes to a million and a half—more than that—$1,600,000 a year, which goes into the hands of Dr. Duvalier.

Do you think this is a way to build up liberal democratic government in Latin America?

Mr. SCHNITTKER. Senator, Haiti has been a longtime sugar supplier. She meets the performance criteria which we have chosen for the administration bill. Certainly we engage in trade, import and export with many governments with whom many persons may not agree.

Senator DOUGLAS. You see, you shift back and forth. First you use the argument that it is a longtime supplier, then you use the argument they came to our help in time of need, then you use the argument in behalf of the development program.

Mr. SCHNITTKER. Senator, I use always the primary argument of supplies to this market during 1963 and 1964. Some of the other elements which we have discussed happened. It happens that Haiti has a government which some persons in this country object to.

Senator DOUGLAS. I like the Government of Venezuela, and I approved of the former policy of the State Department in supporting former President Betancourt. It is also true, however, that Venezuela is the most prosperous of all Latin American countries—the per capita gross national product is in excess of $500. It is the most prosperous country there.

Now, you recommended a small quota for them, a little less than 3,000 tons, but the House multiplied it by over 10 times to about 31,000 tons, which would be over $2 million. Do you stand by the House provision?

Mr. SCHNITTKER. We stand by the administration's provision.

Senator DOUGLAS. Of 3,000 tons.

Mr. SCHNITTKER. Yes, sir.

Senator DOUGLAS. All right. This proposal I would agree with you, except that I would strike out the 3,000 and have zero.

Now, British Honduras, the House has 19,000 tons. I never thought that British Honduras was a stronghold of liberal democratic government under the present doctor.

Mr. SCHNITTKER. We have recommended only 4,000 tons on the basis of her performance in 1963 and 1964.

Senator DOUGLAS. Yet they come in for 20,000 tons.

Mr. SCHNITTKER. Under the House bill.

Senator DOUGLAS. Who is the Premier or Prime Minister of the British Honduras?

Mr. SCHNITTKER. I cannot say.

Senator DOUGLAS. Could the State Department not tell us who the Premier is?

Mr. SCHNITTKER. It is a British territory.

Senator DOUGLAS. Well, the Prime Minister.

Mr. SCHNITTKER. No one here apparently can answer that question, Senator.

Mr. MANN. I did not hear the question.

Senator DOUGLAS. If they do not know that, how can they tell how much sugar they should give.

This man has been in the newspapers for years.

Mr. SCHNITTKER. Mr. Mann believes a gentleman named Price is the chief officer of the British Honduras.

Senator DOUGLAS. What is the name?

Mr. SCHNITTKER. A man named Price.

Senator DOUGLAS. Price?

Mr. SCHNITTKER. Price.

Senator DOUGLAS. He is the chief British representative. I mean the native Prime Minister, not the British front.

Mr. MANN. Senator, I am not sure that my memory is right, but I think the principal leader in Honduras, indigenous leader, is named Price. He was born there of Negro parents, and, as is often the case, they bear English names when they come from English territories.

Senator DOUGLAS. Senator Fulbright, you ought to know about this.

Senator FULBRIGHT. I do not know.

Senator DOUGLAS. This man is supposed to be a dentist. I think his name begins with "J."

Mr. MANN. You are thinking about British Guiana.

Senator DOUGLAS. Excuse me. I apologize. The State Department is not as dumb as I thought they were.

Mr. MANN. Mr. Jagan is not the Prime Minister there. It is a man by the name of Burnham.

Senator DOUGLAS. You are exactly right, Mr. Mann. I made an error.

Let me say that I am opposed to this quota system. With this differential of many dollars per ton, hundreds of millions of dollars per year, you are going to have great pressures on the allocation of quotas. The economic incentive is there and pressures come inevitably.

I do not blame anyone connected with it from trying to get these amounts. It is inevitable. The fault is in the system. The sugar bowl is outside and the flies congregate.

I would favor the continuation or reimposition of an import fee. I would favor impounding the funds and have it used as an addition to the Alliance for Progress. And I would favor a world price based not on present prices, because I think those are world prices, unduly low, but on a 15-year moving average, which, on the basis of my computations for the last 15 years, would come to approximately 4.2 cents a pound, and that the present difference between 4.2 and 6.8 or $52 a ton go into the Treasury. And I would favor confining our purchases in the main to the countries for which we have an implicit responsibility to defend against communism.

I do not think we can take on the French and British possessions in Latin America or the islands of the Pacific, such as Fiji and Mauritius, or the territories of the interior of Africa first visited by Dr. Livingston and Stanley a century ago. I do not see the reason for Swaziland, or Southern Rhodesia, or Malagasy. I might make an exception for Ireland.

But I think that my proposal would be more constructive.

Mr. Chairman, you have been very indulgent to me. I appreciate your kindness.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Let us see. I think—yes, Senator Curtis.

Senator CURTIS. I will try to be very brief, Mr. Chairman.

I want to say for the record that I think we must have a Sugar Act, so far as the domestic end of it is concerned, and it should be one for a reasonable period of years.

What is the price of the sugar obtained domestically?

Mr. SCHNITTKER. About 6 or 7 cents per pound.

Senator CURTIS. That is a fair price to the consumers, is it not—considering our wage scale and the standard of living and the cost of everything else?

Mr. SCHNITTKER. This is a raw sugar price which I quoted.

Senator CURTIS. Yes. But I mean what it ultimately ends up across the counter, it is a fair price, is it not?

Mr. SCHNITTKER. About 11.6 cents per pound is the retail price of refined sugar in the United States.

Senator CURTIS. Well, compared to other prices it has had less inflation than most any other article that the Americans buy, is that not right?

Mr. SCHNITTKER. This has been very stable over the years.

Senator CURTIS. In other words, there is no segment of our society that has any just complaint that it is being overcharged for domestic sugar, is that right?

Mr. SCHNITTKER. I have not heard any particular complaints about the price of sugar.

Senator CURTIS. No. As a matter of fact, it is one of the lowest prices of anything that people can buy, compared to past years. Is that right?

Mr. SCHNITTKER. Well, compared with a number of years ago, before the Second World War, yes.

Senator CURTIS. The world price is kind of an illusive term, is it not?

Mr. SCHNITTKER. Excuse me?

Senator CURTIS. When they talk about the world price, that is rather an illusive term. There is not too much sugar ever moves in the world price, is there? Is not most of the sugar that is consumed involved one way or another in some regulated program of some country?

Mr. SCHNITTKER. That is correct. Nonetheless, in certain markets, New York, London, there are organized sugar markets which quote a world price.

Senator CURTIS. They quote a world price. But the volume of sugar consumed by the world, other than the Communist world, only a small portion of it——

Mr. SCHNITTKER. Only about 10 percent of the world production will move through those markets.

Senator CURTIS. Based upon the bill you recommend, percentagewise, what portion will the domestic producers have?

Mr. SCHNITTKER. The domestic producers, not including the offshore areas?

Senator CURTIS. State it both ways, please.

Mr. SCHNITTKER. About 65 percent including the offshore areas, and about 40 percent including just the mainland areas.

Senator CURTIS. The 40-percent mainland areas—has it ever been higher than that?

Mr. SCHNITTKER. It has not.

Senator CURTIS. What about the increased consumption due to the growth factor?

Mr. SCHNITTKER. The domestic areas woud not share in the growth between total requirements of 9.7 and 10.4 million tons. But above 10.4, and below 9.7, the domestic areas will share in the increase or the decrease according to a factor of 65 percent.

Senator CURTIS. 65 percent?

Mr. SCHNITTKER. To the domestic producers.

Senator CURTIS. That is offshore included.

Mr. SCHNITTKER. Yes sir?

Senator CURTIS. That includes offshore?

Mr. SCHNITTKER. Just the mainland in this case.

Senator CURTIS. After we reach 10.4, the mainland will receive 65 percent of the growth factor?

Mr. SCHNITTKER. That is correct.

Senator CURTIS. When do you expect to reach 10.4?

Mr. SCHNITTKER. About 1971.

Senator CURTIS. How much will the growth factor be after that?

Mr. SCHNITTKER. About 100,000 tons per year, which would be about 1 percent.

Senator CURTIS. 100,000 tons per year. How many acres of beets is that?

Mr. SCHNITTKER. About 40,000 acres of beets.

Senator CURTIS. If it all went to beets?

Mr. SCHNITTKER. Yes.

Senator CURTIS. How many acres of cane does it take to make a hundred thousand tons?

Mr. SCHNITTKER. About the same in the United States mainland.

Senator CURTIS. Where were the six factories located, pursuant to the new area reserve in the 1962 act?

Mr. SCHNITTKER. One in New York, one in Texas one in the Red River Valley—and I am not sure what State that is—North Dakota, I mentioned Maine, New York——

Senator CURTIS. One in Maine?

Mr. SCHNITTKER. One in Maine.

Mr. MURPHY. California, Arizona, North Dakota, Maine, New York, and Texas.

Senator CURTIS. Have Maine and New York been producing?

Mr. MURPHY. No, sir. New York will start this year, and Maine will be ready next year.

Senator CURTIS. Now, if the bill is enacted, as you recommend, and after this period of leveling out of inventory is over what beet growers will have to take an acreage cut?

Mr. SCHNITTKER. I believe all the beet growers in the country would be liable to an acreage cut in the event that yields per acre and consumption combine to require an acerage cut.

Senator CURTIS. The——

Mr. SCHNITTKER. Including the new areas.

Senator CURTIS. In other words, the growth factor is not enough to prevent an acreage cut?

Mr. SCHNITTKER. No. I am saying that in the event yields were to go up very rapidly, it is at least possible that the growth factor would not be enough to prevent an acreage cut.

Senator CURTIS. Then you have not provided enough growth factor to take care of the technological advances that might incur in increased production.

Mr. SCHNITTKER. I would not say that. I only mention the possibility that this may be the case.

Senator CURTIS. Now, what you propose that we buy from foreign countries, percentagewise, how much of that will come from the Western Hemisphere? A percent of the total foreign purchase.

Mr. SCHNITTKER. About three-quarters, not counting the 1 million tons from the Philippines.

Senator CURTIS. Would come from the Western Hemisphere?

Mr. SCHNITTKER. Yes.

Senator CURTIS. The table on page 40 of the committee print looks like the administration recommended purchase of 1,720,555—I assume that is tons—from the Western Hemisphere, from countries outside, 2,260,000.

Are those figures correct?

Mr. SCHNITTKER. The ratio is more like three-fourths than two-thirds.

Senator CURTIS. Three-fourths. It looks like to me that you are going to purchase more outside the Western Hemisphere.

Mr. SCHNITTKER. The 1,720,000 tons is from the Western Hemisphere, 2,260,000 is total—with the difference of about 540,000 tons coming from outside the Western Hemisphere.

Senator CURTIS. Since we have had a Sugar Act, and excluding emergency situations, when did we start buying outside the Western Hemisphere?

Mr. SCHNITTKER. In any quantity, only in 1961 or 1962. Except for the Philippines, of course.

Senator CURTIS. We did buy prior to the act of 1962?

Mr. SCHNITTKER. I believe it is correct that we had small quantities from Formosa and possibly some other.

Senator CURTIS. Small quantities. We are buying about 500,000 tons now—you are recommending.

Mr. SCHNITTKER. We would recommend about 500,000 tons.

Senator CURTIS. And that has all come about since we went on the global quota.

Mr. SCHNITTKER. And particularly since the departure of Cuba from the U.S. sugar market.

Senator CURTIS. Now, when Cuba comes back into the world of free nations, who is going to get that?

Mr. SCHNITTKER. Well, under the administration bill, when Cuba is back among the free nations, she could have 57 percent of the authorization for foreign countries, apart, I believe, from the amount authorized for the Philippines. And this would, of course——

Senator CURTIS. But it will not reduce the domestic.

Mr. SCHNITTKER. It would not, under the act, reduce the domestic. It would fall upon the other suppliers who now gets parts of the basic Cuban quota, according to their basic quota under the proposed act.

Senator CURTIS. It looks like we are making a permanent guarantee, or launching our program to become permanent, of 500,000 tons outside the Western Hemisphere, and not too long ago it was negligible.

Mr. SCHNITTKER. That is correct.

Senator CURTIS. Yet you state in your statement:

> In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of this extension.

Now, what acreage cutbacks do you anticipate, say, in the last 4 or 5 years of this extension?

Mr. SCHNITTKER. I am going to ask Mr. Murphy if he can respond to that, sir.

Mr. MURPHY. Yes, Senator. In 1960 I believe there was 900-and-some-odd thousand acres of sugarbeets growing. And in 1964 there was 1,450,000 acres.

There are restrictions in effect this year. The level of those restrictions is 1,375,000 acres. There has been a hearing held with respect to the recommendations of growers for next year's crop, and they have recommended a further small reduction for 1966. Beyond that, it is going to depend a great deal on the weather and the yields. Nobody can really say which way it will go.

Senator CURTIS. It is figured so close that there may be cuts throughout the life of this extension?

Mr. MURPHY. There may be a cut in 1966. I would suspect that that would be the last cut.

Senator CURTIS. Now——

Mr. MURPHY. That is from the much higher level that had been achieved by 1964.

Senator CURTIS. How about this going outside the Western Hemisphere? Is that going to be cut?

Mr. MURPHY. It will not be cut. In other words, the domestic——

Senator CURTIS. The only way it will be cut is if Cuba comes back into the picture.

Mr. MURPHY. That is right. The domestic areas would get a big immediate increase in marketing allotments, and then for a period of years the foreign countries would get whatever market increases are available to bring about a reestablishment of the present balance between domestic and foreign sources.

Senator CURTIS. As I said earlier, we have to have a Sugar Act, and we have to have it this year, and it should be for a reasonable period of years so the domestic producers, both cane and beet, can rely upon it, and we can have order in the industry.

But I must say that I disagreed with the global quota. I think the results were bad. I think that it caused frantic buying all over the world, and a great many producers outside the Western Hemisphere now have gotten what was predicted would happen—a permanent place in our sugar market at a time that we are still beset with a multitude of agricultural problems. Is that right?

Mr. SCHNITTKER. Well, we are certainly beset with many agricultural problems. But at the same time U.S. producers would have the biggest share of the U.S. sugar market that they ever had, even though the beet acreage would be somewhat smaller.

Senator CURTIS. Well, of course, we are not talking about something that they should not have, are we?

Mr. SCHNITTKER. No, we are not. We are talking, I think, of a sugar supply situation where we produce enough in the right areas at home so that we can have a stable supply, and where we have a diversified and assured group of foreign suppliers.

Senator CURTIS. Do you anticipate that these new areas will be successful?

Mr. SCHNITTKER. I think we have every reason to believe that they have been picked carefully, and that they will be successful.

Senator CURTIS. Reliable companies are involved?

Mr. SCHNITTKER. Reliable companies, and a great deal of pilot study and research going into the character of the sugarbeets grown in the areas.

Senator CURTIS. But it is the policy of the Department of Agriculture to bring such expansion to a close.

Mr. SCHNITTKER. It is, and it is made necessary.

Senator CURTIS. Why?

Mr. SCHNITTKER. By virtue of the fact that it is simply inconsistent to cut back sugar growers in Nebraska and Colorado and North Dakota, at the same time we are authorizing new plants——

Senator CURTIS. I am not suggesting that. I am not suggesting you take away from one group of domestic people and give it to another one. Not in the least. My primary obligation is to the people in the sugar business now, that they not be destroyed, and not give it to somebody else.

But you have developed here the last 4 years, and you are recommending a program of going clear outside the Western Hemisphere for very substantial amounts of sugar, and taking a position, as announced in your paper here, opposed to any part of domestic agriculture sharing this.

Mr. SCHNITTKER. Well, I would argue that domestic agriculture has shared in this by virtue of the expansion in sugar acreage in this country over the past few years when there were no restrictions. But we have struck a balance here between——

Senator CURTIS. Who decided that balance?

Mr. SCHNITTKER. The administration in recommending a bill has urged the Congress to consider enacting certain balances laid out in the bill.

Senator CURTIS. Well, has the Department of Agriculture, that is supposed to be representing the American farmers—do they fully agree with this, with this big purchase of sugar outside the Western Hemisphere?

Mr. SCHNITTKER. We are fully agreed with it, sir.

Senator CURTIS. And you are fully agreed with the statement that the long-term growers will be subjected to further cuts, and that new localities are out.

Mr. SCHNITTKER. I believe——

Senator CURTIS. That is what you said in here.

Mr. SCHNITTKER. There is the prospect that old areas may continue to be subject to acreage cuts, and we recommend that no new areas be brought in.

Senator CURTIS. Is there any dollar shortage among American farmers?

Mr. SCHNITTKER. Well, there is a dollar shortage among American farmers, as everywhere else. But they will have a billion dollars more net income this year than last year, and $2 billion more than 5 years ago. So the dollar shortage is improving.

Senator CURTIS. That is counting direct Government payments.

Mr. SCHNITTKER. Yes, sir.

Senator CURTIS. And it is a little less than it used to be in the marketplace; is that right?

Mr. SCHNITTKER. I think——

Senator CURTIS. In 1964, it was about three-quarters of a billion dollars less that the American farmers derived in the marketplace than, say, 4 years ago.

Mr. SCHNITTKER. The value of farm products marketed—I think that is correct.

Senator CURTIS. That is all, Mr. Chairman.

Senator MCCARTHY. In 1962 I thought it was unwise when the global sugar quota concept was presented. Where did the global quota concept come from—the State Department or Agriculture?

Mr. SCHNITTKER. Senator, I am going to defer to my colleague, Mr. Murphy, here.

Mr. MURPHY. Senator, I think that was discussed in both Departments, over a substantial period of time. I do not believe that you can identify it with one or the other.

Senator DOUGLAS. Well, let me take the responsibility. I advocated global quotas, and the import fees. And while it is true in 1963 and 1964 world price rose above domestic price, these were exceptions in a 28-year history, and the general tendency has been for the domestic price to be in excess of world prices. If there were blame which there is not let it be mine. If there is credit, I am modestly going to ask for it. It did save $41 million. This year it would have saved over $200 million.

Senator MCCARTHY. I am going to let you take your own personal blame. But I want to find out who in the administration supported your position. And then ask whether they think it was a mistake or not.

Mr. SCHNITTKER. Senator——

Senator MCCARTHY. Senator Douglas has admitted he made one mistake.

Senator DOUGLAS. Quite the contrary. As a longrun policy, that is correct.

Senator LONG. It might be a good idea—he just picked the wrong year.

Senator WILLIAMS. It would still be a good idea if they kept all of his suggestions, but they dropped one.

Senator DOUGLAS. Excuse me. I did not wish to interfere with my friend. But I did not want to have him condemn either the Agriculture Department or the State Department. They have enough sins to answer for. But they did finally support us, and I think for the time they did, it is to their credit.

Mr. SCHNITTKER. In the circumstances that could be foreseen only dimly in 1962, but which did prevail in 1963 and 1964, the global quota concept worked very well. If we had had strict country to country quotas, we might very well have had a greater emergency than we had. Nonetheless——

Senator MCCARTHY. So far as we can judge from things like price, it was a failure in terms of the cost to the consumer. Yet in 1962 we were assured this would not happen if we had global quotas.

Mr. SCHNITTKER. Senator, I think you are attributing to global quotas an effect which must be attributed to the world sugar situation, including the changed role of Cuba in the U.S. market.

Senator MCCARTHY. But you had commitments earlier during World War II which were kept by some of the countries. In fact, what you said in 1962 was we are going to buy as cheaply as we can in the world market, did you not?

Mr. SCHNITTKER. I think that is approximately correct.

Senator MCCARTHY. Now, I want to move from that to the manner in which you determined the quotas for 1965.

What was the basis for your allocation of quotas in 1965?

Mr. MURPHY. Yes, sir. The allocation of the quotas was on the basis of importation in 1963 and 1964. Of course a large portion of them were on a voluntary basis.

Senator MCCARTHY. Yes. And this was in the nature of a reward, was it not?

Mr. MURPHY. Senator, I would not put it that way. The foreign quota provisions of the Sugar Act expired at the end of 1964, and so did the fee provision—at the end of 1964.

Now, other obligations that the Secretary of Agriculture had under the Sugar Act did not expire. He was still under an obligation to try to regularize the sugar supply and the price in the U.S. market, and to provide quotas for domestic areas.

With that type of obligation, he, under section 403 of the Sugar Act, drew on his general powers to find the source of foreign sugar imports. But he was advised, and I am sure correctly by legal counsel, that he could not use those general powers to assess an import fee. Without an import fee, of course, a global quota would have been completely incompatible.

Senator MCCARTHY. Did anyone in the administration, in either Agriculture or State, go to the foreign countries in 1963 or 1964 and say, "If you ship to us now, we will give you a favorable quota in 1965"?

Mr. MURPHY. Senator, there was a wire sent to our embassies in all sugar-exporting countries, and it said, and I quote:

Total 1964 deliveries, particularly those shipped or committed early by individual countries, will have a strong bearing on the administration's recommendations to the Congress regarding allocations of country quotas after 1964.

Senator McCARTHY. This was not a recommendation of Congress. This was an action you took independently. The Congress did not participate directly in the allocation of quotas in 1965. This was done——

Mr. SCHNITTKER. That is correct. And the wire, I believe, that Mr. Murphy read said that that would have a strong effect on the administration's recommendations.

Senator McCARTHY. To Congress.

Mr. SCHNITTKER. To Congress.

Senator McCARTHY. But these are not recommendations to Congress. This is in a sense recommendations to yourself.

Mr. SCHNITTKER. We indicated to these countries that their performance in the sugar market in this year would influence the administration's recommendations to the Congress for the future.

Senator McCARTHY. There is nothing in the record which would suggest that you use only 1963 and 1964, was there, in terms of anything Congress said?

Mr. SCHNITTKER. Nothing to my knowledge in the record. This judgment was made on the basis of the relative sacrifice which countries incurred in shipping sugar to the United States in 1965.

Senator McCARTHY. It did involve a sacrifice.

Mr. SCHNITTKER. It did on the part of many, yes.

Senator McCARTHY. This takes me to the next question.

We have had testimony with reference to the Dominican Republic, that it costs them about 11 cents a pound to produce sugar.

Their quota, at least what they might have expected on the basis of their supplying the American market, could have been much higher than what you recommended.

It seems to me that what you asked them to do in 1963 and 1964 was to deliver sugar to us at a loss—if their production costs were as high as administration spokesmen say they were and are.

Now, how does this fit into our foreign policy with reference to the Dominican Republic? The general judgment and statements we have had through the last 2 or 3 years have been that this country, has one of the lowest per capita incomes of all of the Central American countries and was a hotbed of communism, we were told. Yet somebody in the administration, knowing that it was costing them more than 10 cents a pound to produce sugar, asked them to make a sacrifice in order to supply the American market, even after the administration had said we are going to go into the world market and buy sugar as cheaply as we can. Although we knew the serious economic problems of these countries, we turned around and said: "We do not want you to sell it at whatever price you can get, even if that price barely gives you the cost of production. Sell it to us for a lower price."

Mr. SCHNITTKER. Senator, I do not know that figure of 11 cents a pound for cost of production, and I am very skeptical generally of cost of production figures, unless I know what the components are.

Senator McCARTHY. These are State Department figures given to us in the Foreign Relations Committee.

Mr. SCHNITTKER. If one knows what the cost being attributed to rents, to land, and so forth, one can——

Senator McCARTHY. Well, what is your estimate of the cost of sugar production in the Dominican Republic?

Mr. SCHNITTKER. I would not comment on the Dominican Republic. I think in Latin countries it tends to be in the area of 4 to 5 cents, including costs—rents attributed to land.

Senator McCARTHY. Well, the State Department witnesses say 11 cents.

Mr. SCHNITTKER. I cannot confirm that. But I would not want to say it is not true.

Senator McCARTHY. Do you think it unreasonable that the Dominican Republic would sell its sugar in the world markets, where it might get 11 cents a pound for it, rather than deliver it to us at 6 or 7 cents a pound?

Mr. SCHNITTKER. May I ask Mr. Murphy. But I really doubt if costs are 11 cents in the Dominican Republic that they would be producing sugar.

Mr. MURPHY. Senator, the wire that you spoke of was sent to the post abroad, in the late fall of 1963. It had to do with supplying 1964 requirements for the United States. At that time Russia had started to buy wheat from Canada—a hurricane had struck Cuba. The world price was 11 cents. Our price was much lower. The price at which they supplied us was still a very remunerative price to anybody who could produce sugar in the area of 4 to 5 cents.

Senator McCARTHY. The testimony we have is that the Dominican Republic could not produce it at that price.

Mr. MURPHY. The Dominican Republic, of course, did get their cost structure out of line I think as much in 1964 as they had in 1963—some of this distortion of the cost structure occurred after October 1963. And I think that the two nongovernment operations in the Dominican Republic can produce sugar and have produced sugar steadily at a price much below 11 cents.

Senator McCARTHY. Well, the point I am raising is whether or not you feel that it is an unreasonable demand to make upon the Dominican Republic: to supply sugar to our market at, say, 6 cents a pound when it appears it is costing them 11 cents a pound to produce it. "If you don't do that, we are going to cut down your quota for 1965." And at the same time the general judgment was that this was a very dangerous area in Central America——

Mr. SCHNITTKER. To authorize them a quota would not be, of course, to demand or to require that they send it.

Senator McCARTHY. In effect you are saying, "If you don't send it to us, this is what is going to happen to you," even though you also said in 1962 that our policy is every man for himself.

Mr. SCHNITTKER. I think that the Dominican Republic would probably be very glad to send the amount of sugar which is authorized this year, next year, the year after, at the price of around 5½ to 6 cents a pound, which would indicate that they are either losing a lot of money down there, or the cost of production is below that price.

Senator McCARTHY. We have had testimony from administration spokesmen, in another committee of this body, that it costs 11 cents a pound to produce sugar in the Dominican Republic.

I only want to know which statement is right——

Mr. SCHNITTKER. I think as Mr. Murphy explained there are——

Senator McCARTHY. They both cannot be right.

Mr. SCHNITTKER. Some very special conditions raised costs in the Dominican Republic I believe for the 1964 crop, on a limited part of the sugar production area of the island.

Senator McCARTHY. This brings us to the point—why, if this is the case, do you then apply this 1963–64 formula against this country and then give quotas, as Senator Douglas has pointed out, to South Africa? Why to South Africa?

Mr. SCHNITTKER. Senator, as I said, the primary guide for our quota recommendation was past performance. But there are provisions in the act——

Senator McCARTHY. It really was not past performance. It was 1963–64 performance.

Mr. SCHNITTKER. Yes.

Senator McCARTHY. Well, where did that formula come from? Is that a State Department formula, or is this Department of Agriculture? This was not a Senator Douglas formula.

Mr. SCHNITTKER. This was an administration formula, jointly arrived at, but which is supplemented by a provision which would authorize the President to suspend the quota of any country in the event he found it in the interests of the United States.

Senator McCARTHY. Did Department of Agriculture officials meet with any people registered as lobbyists on the sugar bill in 1965?

Mr. SCHNITTKER. I cannot speak for everyone in the Department of Agriculture, but I know of no one in the Department of Agriculture who has met with such people.

Senator McCARTHY. Would it be possible to check the records?

Mr. SCHNITTKER. I think it would, to a limited extent—certainly the official record.

Senator McCARTHY. Would you have that kind of check made and give us a report—if it is a public report—on the lobbyists registered with reference to the Sugar Act who were consulted by the administration, at least the Department of Agriculture officials, before the 1965 quotas were issued?

Mr. SCHNITTKER. Who were consulted by——

Senator McCARTHY. Who met with officials.

Mr. SCHNITTKER. We will be glad to furnish a list, but we think there would not be any list.

Senator McCARTHY. You think there were no such discussions? That is, by people representing Latin American countries?

Mr. MURPHY. Senator, before an action is taken under the sugar program which affects the market for sugar, discussions are never held by anybody in the Department of Agriculture with anybody outside the Government. To do so of course would give an advantage to whoever that person might be.

Senator McCARTHY. Before quotas are assigned, there are no discussions with anyone outside the Department of Agriculture?

Mr. MURPHY. Before that action is taken, that is right.

Mr. SCHNITTKER. I think Mr. Murphy is mentioning the situation where we would be allocating a deficit to a number of foreign countries—or the initial action in 1965—prior to 1965. But to my knowledge—I was not engaged in sugar discussions until June of this year—no one in the Department met with foreign representatives—representatives of foreign governments for the purposes of discussing allocation of sugar quotas.

Senator McCARTHY. In 1965.

Mr. SCHNITTKER. In 1965.

Senator McCARTHY. Or in 1964, before the 1965 quotas were set?

Mr. SCHNITTKER. Yes.

Senator McCARTHY. I have no further questions.

Senator LONG. Senator Hartke?

Senator HARTKE. What is the position, or are you making any statements concerning the question of suspending the quota for any country that expropriates property of the United States? Is that a State Department question?

Mr. SCHNITTKER. It is really a State Department question. There is authority for the President to act in that kind of a situation and I think each case would certainly have to be judged on its own merits.

Senator HARTKE. Did you help to write the administration bill?

Mr. SCHNITTKER. The administration bill was substantially drafted before I became Under Secretary.

Senator HARTKE. I am not asking you personally. Did the Agriculture Department help to draft the administration bill?

Mr. SCHNITTKER. The Agriculture Department did help to write the administration bill, I think took part in all the discussions within the Government and with the industry.

Senator HARTKE. Did such a question regarding expropriation—was such a proposal made in the administration proposal?

Mr. SCHNITTKER. Not specifically.

Senator HARTKE. If it was not done specifically, how was it done unspecifically?

Mr. SCHNITTKER. The President would have authority to suspend the operation of the quota for any country if it were in the interests of the United States. I believe that this could include the matter of expropriation as well as other matters.

Senator HARTKE. Well, what you are saying is that—now, I have here—is this the administration bill, S. 2567, introduced by Senator Long?

Mr. SCHNITTKER. Yes.

Senator HARTKE. I refer to page 21, line 10—will you explain what line 10 and 11 mean?

Mr. SCHNITTKER. That provision repeals a subsection of the law which deals in some detail with expropriation and related matters.

Senator HARTKE. All right. Now, will you explain to me what that means? In other words, why was this put in, what did it intend to do? If the section didn't intend to do anything, why was it put into the bill? If it did intend to do something, what did it intend to do?

Mr. SCHNITTKER. Why was this line 10 and 11 put in the bill?

Senator HARTKE. In other words, I want to know what it means. Why was it there, did it intend to do something, did it not intend to do something? If it did intend to do something, what was the intention?

Mr. SCHNITTKER. It was intended to repeal the specific language——

Senator HARTKE. Not intended—it repealed.

Mr. SCHNITTKER. It repealed the specific language and left in place of it broad authority in another section which permits the President to suspend the quotas in the interests of the United States.

Senator HARTKE. Why was it deemed necessary to repeal subsection (c) of section 408 of the bill?

Mr. SCHNITTKER. I would like to ask the General Counsel to comment, but I believe this is probably a question that the State Department could better respond to.

Mr. BAGWELL. All I can say, Senator, is, I would have to leave it up to the State Department. We worked with the State Department and other agencies of the Government in developing the bill. I believe their decision is largely responsible for this particular provision.

Senator HARTKE. Are you familiar at all with the interest equalization tax law?

Mr. SCHNITTKER. I am not.

Senator HARTKE. Are you familiar with the House bill?

Mr. SCHNITTKER. The House sugar bill?

Senator HARTKE. H.R. 1135.

Mr. SCHNITTKER. Yes, sir.

Senator HARTKE. Are you familiar with that portion which is on page 29, beginning at line 2, dealing with section 11, subsection 4, which amends subsection (c) of 408 of the Sugar Act? Are you familiar with that part of the House bill? I wanted to identify it for the record.

Mr. SCHNITTKER. I am familiar with it, and it substantially reinstates the language which the previous language we had discussed deleted.

Senator HARTKE. It does more than reinstate it, doesn't it?

Mr. SCHNITTKER. It does.

Senator HARTKE. It strengthens it, doesn't it?

Mr. SCHNITTKER. It broadens it.

Senator HARTKE. Strengthens it, doesn't it?

Mr. SCHNITTKER. I would not comment on that.

Senator HARTKE. Would counsel care to comment on it or does he not want to comment?

Mr. BAGWELL. I would not want to comment on it. I think this is a provision that you will get better information on from the representatives of the State Department.

Senator HARTKE. You did not consider this portion of the bill?

Mr. SCHNITTKER. Certainly——

Mr. BAGWELL. We are not in favor of it, if that's what you mean.

Senator HARTKE. You are not in favor of this portion of the bill, are you?

Mr. BAGWELL. No, sir.

Senator HARTKE. That is what I thought in the first place. I am glad we got a quick statement on that.

Now, why are you not in favor of it?

Mr. SCHNITTKER. The foreign relations features, such as this provision of the bill, we defer to the State Department, both in this hearing and in the preparation of the bill.

Senator HARTKE. Now, counsel stated that you are not in favor of it. Do you know why you are not in favor of it, or have you just been advised that it is administration policy? I can understand that. If you have been advised that this is the administration policy, I expect you to be a loyal, devoted administration follower, as I am.

Now——

Mr. BAGWELL. Senator, the State Department is prepared to comment on this.

Senator HARTKE. Well, are you prepared to comment on it?

Mr. BAGWELL. No, sir; we are in agreement with the State Department.

Senator HARTKE. Well, let me ask you then, without reference to the State Department—do you think that the question of any nation expropriating property of the United States or business of the United States should be a factor in consideration of whether or not the Agriculture Department allocates a quota to them?

Mr. SCHNITTKER. I believe it should be a factor, Senator, and I believe also that the President, in conducting foreign policy, would have adequate authority under the provisions of the administration bill to take such actions, including expropriation and similar action, to suspend quotas in the interests of the United States.

Senator HARTKE. Just so we are not confusing the issue, let's put it into its proper place.

The truth of it is that the administration, by the testimony of counsel here, is opposed to that portion of the bill which is on page 29, line 2, and beginning there with No. 4. Is that true?

Mr. SCHNITTKER. That is true.

Senator HARTKE. Specifically on page 21 of the bill, S. 2567, introduced on behalf of the administration by the distinguished Senator from Louisiana, Mr. Long, beginning with line 10, specifically repeals subsection (c) of section 408 of the sugar bill, which deals with the question of expropriation.

Is that true?

Mr. SCHNITTKER. That is correct.

Senator HARTKE. So there isn't any question about this fact, but there is something here that the administration did not want in this bill, did not want in this act, and deals with the question of expropriation. Isn't that true?

Mr. SCHNITTKER. That is correct.

Senator HARTKE. All right.

Now, do you receive your advice from the State Department in advance, before the allocations of the quotas are made as to what the policy of the United States is in regard to these countries? Are you advised specifically that this country shall not be considered, or shall be considered, in view of the circumstances? Or how is this information transferred back and forth?

Mr. SCHNITTKER. Certainly under the provisions of the administration bill, under which this authority would be carried out in the future, we would consult with the State Department.

Senator HARTKE. I didn't ask that. I ask you under the law how do you receive this communication, how is it done? Does the State Department advise you that a country is not to be considered for quota, or is this done in consultation, in which you have a discussion about it and you examine what has happened? Who makes this initial determination—you or the State Department?

Mr. SCHNITTKER. Under present law, at a time when the Department of Agriculture had quotas to allocate, deficits, for example, we would normally consult with the State Department to see if there were problems—if they had an interest in the allocation of the quota for the deficit.

Senator HARTKE. Yes. But now let's say in a case where there was a quota assigned—does the State Department transmit any information to you that it is in the interests of the United States to continue this quota? Do they give you a listing of those countries which are considered to be in favor of the United States, to where the quota can be continued, or where it is to be discontinued, or suspended?

Mr. SCHNITTKER. I would say it is not that formal, Senator, but rather handled on an informal basis.

Senator HARTKE. Well, it can't be—I mean, in other words, it has to be rather formal, if you are going to suspend an operation, a whole quota for a country. There has to be a rather formal action somewhere along the line. Who makes that decision?

Mr. SCHNITTKER. We have not made such a decision, Senator, and hence we have informal discussions and have apparently arrived at a conclusion that there was no such situation which needed attention, hence no determination was made.

Senator HARTKE. All right.

Now, if that is true, are you aware of any factors which encourage anybody in the administration to insert this provision which would have limited the authority in regard to expropriation rather than to broaden it as done in the House bill?

Mr. SCHNITTKER. I am not aware of the background on this discussion, but I would rather say that the language which is in the administration bill is somewhat broader than the language in the previous law or the House bill.

Senator HARTKE. Let me point out that the amendment which I submitted and was adopted under the interest equalization tax is in substance the same general provision in the House bill in this section. There is no question what my own opinion might be, if you have any hesitancy at this moment in making that determination.

What I am trying to find out is whether or not it is administration policy to be opposed to this type of proposition or in favor of it. I understand what you are saying, generally speaking, is that the Agriculture Department does not care to express an opinion upon this matter and is making its decisions in consultation and not by directive from the State Department is that true?

Mr. SCHNITTKER. That is correct.

The CHAIRMAN. We have been in session now for 3 hours. The Chair would suggest a recess until 2:30.

Senator HARTKE. Mr. Chairman, let me say——

The CHAIRMAN. The Senator will hold the floor.

Senator HARTKE. Let me say at this time—Senator Fulbright did ask me to extend, I think he told the chairman—that he did have some questions that he wanted to ask of this witness, and he wanted that right to be protected as far as he was concerned.

Senator LONG. The witness will still be here, and you will still be in charge, Senator, when we come back at 2:30.

Senator HARTKE. I hope that I am not going to be charged with filibustering, because I started to ask questions, I think at roughly 10 until 1, and I have had approximately 7 minutes of questioning so far.

Senator LONG. Senator, the whole point is that the chairman suggested we quit for lunch. You are still in charge when we come back.

The CHAIRMAN. The Senator will be in charge when we return.

(Whereupon, at 1 p.m., the committee recessed, to reconvene at 2:30 p.m. of the same day.)

AFTERNOON SESSION

Senator LONG (presiding). The meeting will come to order. Senator Talmadge.

Senator TALMADGE. Mr. Secretary, I will make mine brief. I believe we had produced about 60 percent of our domestic sugar needs, is that not correct?

STATEMENT OF HON. JOHN SCHNITTKER, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN BAGWELL AND TOM MURPHY—Resumed

Mr. SCHNITTKER. That is approximately correct.

Senator TALMADGE. How much could we provide if we let everyone plant all of the sugarbeets and all of the cane they saw fit to produce in our country?

Mr. SCHNITTKER. In the short run, Senator, only—probably only a little more than at present, a little higher percentage; but in the long run, I think we certainly would have the capacity in this country to produce substantially more of our sugar needs.

Senator TALMADGE. Why don't we expand our domestic quotas with the intent of becoming self-sufficient in the production of sugar?

Mr. SCHNITTKER. Well, I believe there is a lot of history behind the answer to that question. We have been a long-standing importer of sugar, we have friendly relations, and in fact many of the exporters of sugar depend on us very heavily. Trade is a two-way street, hence we have over the years and under the Sugar Act reached a certain allocation between domestic and foreign sugar in the pursuit of both domestic objectives and foreign objectives.

Senator TALMADGE. You know we have been reducing most of the acreages of many, many crops, because we have surpluses, and it seems to me that it is quite strange we would have very tight allocations of quotas of crops where we have a deficit.

Mr. SCHNITTKER. Certainly the need to reduce our sugar acreage makes it fairly difficult for domestic producers.

Senator TALMADGE. For instance, in south Georgia, I don't know whether they could produce sugarcane commercially or not, but some of them think they can. They are very, very anxious to get a quota. We have been reducing their tobacco allotment, reducing their peanut allotment, reducing their cotton allotment; if they could expand in the production of some other crop where we have a deficit, it seems to me that would be the logical and reasonable thing to do.

One further question: Most of the areas where we purchase sugar offshore, are areas that have a shortage of feed grains and wheat, commodities of that kind. Have we had any barter deals where we would exchange wheat for sugar or feed grains for sugar or any other surplus crops for sugar?

Mr. SCHNITTKER. We have not, to my knowledge, in recent years engaged in any such transactions. We have, however, in the allocation of deficits in the case where Puerto Rico, for example, cannot fill its quota, we allocate the deficit to the supplying countries, and to those supplying countries who purchase U.S. agricultural products, but specifically barter deals we have not had.

Senator TALMADGE. Wouldn't it make a lot of sense, for instance, if we approached a country like India? I am not singling out India as a particular one, but that is certainly a very valid example. They need wheat very badly, we need sugar very badly. Why don't we say to the people in India, let's work out a deal where we can sell you some of our wheat, and you sell us some of your sugar, and we will trade with you. Why can't we do that?

Mr. SCHNITTKER. I expect we could do that, but we would also find that most of the countries of the world being anxious to sell sugar into the U.S. market, would also be willing to match offers, and hence we might on a broad front be getting into barter arrangements and actually not influence the—not increase the exports of U.S. agricultural commodities nor change the origins of the sugar that we import.

Senator TALMADGE. What we are doing now, we are selling our surpluses for soft currency which is virtually a gift, if not altogether a gift, and it seems to me if we have something of value in surplus, and they need that very badly, and they have something of value in surplus that we need very badly, it would make sense for us to get together and arrange a deal with them.

Mr. SCHNITTKER. I would like to mention one additional difficulty that arises in a barter transaction of that type, and that is that the premium from sugar sold in the U.S. market can be used in a barter transaction to drive down the prices of the commodities which they import in the sugar supplying country, so that a country bartering sugar to us for wheat and having a premium on sugar in the U.S. market, could use a part of that premium to drive down the prices of food grains in the other country. This would tend to disorganize markets.

Senator TALMADGE. I have no further questions, Mr. Chairman.

Senator LONG. Senator Fulbright?

Senator FULBRIGHT. Thank you, Mr. Chairman.

With regard to that last point about our being self-sufficient, are our producers of sugar competitive with the producers in the Caribbean and other areas?

Mr. SCHNITTKER. No, the cost of production in the United States is generally higher than in other supplying countries, and this would be an additional factor which would weigh against an attempt to become fully self-sufficient because as we went into further areas our average cost of production would rise even further.

Senator FULBRIGHT. Even with the production we have now, the actual cost to the consumer is probably higher than if we bought all our sugar from those areas that are naturally well-suited for production of sugar; is that not so?

Mr. SCHNITTKER. I think that is substantially correct.

Senator FULBRIGHT. So it isn't like some of our products which are competitive with other countries. We used to have a principle of trade in which you produced that which you are best equipped to produce and then you traded for commodities similarly produced, didn't we?

Mr. SCHNITTKER. We did have and I believe that principle is still in effect.

Senator FULBRIGHT. Well not very much. It is in principle only but not in fact.

Mr. SCHNITTKER. Well, it certainly continues to be a strong reason why we should continue to import a substantial quantity of our sugar.

Senator FULBRIGHT. Mr. Schnittker, one of my principal concerns, which has already been discussed, is that we are faced each year with this bill coming in at the very last days, with great urgency to pass it without consideration. I don't know what can be done about it, but I proposed an alternative to the House bill or even your bill, which I think would give the committee an opportunity to consider foreign allocations in a more orderly and normal manner.

I am very reluctant to vote for a bill where we have so little opportunity to give it what I would call normal consideration.

I am not clear as to why this comes in so late. You were ready to recommend this bill back in March or April, weren't you?

Mr. SCHNITTKER. Yes. I think that it certainly is true that the bill could have been sent to the Congress somewhat before the time it was sent. However, it had been, it has been, before the Congress now for about 2 months.

Senator FULBRIGHT. It was introduced August 17, wasn't it?

Mr. SCHNITTKER. August 17, yes.

Senator FULBRIGHT. I received from the domestic associations, the California Beet Growers, Farmers & Manufacturers Beet Association, National Beet Growers, Red River Valley Sugar Beet Growers, United States Beet Producers Association, a letter dated March 31 in which they made their recommendations. You are familiar with those recommendations——

Mr. SCHNITTKER. Yes.

Senator FULBRIGHT (continuing). Of the industry.

And as I understand it your bill follows that fairly closely, doesn't it?

Mr. SCHNITTKER. That is correct.

Senator FULBRIGHT. That was in March. We could have had hearings under normal circumstances. We would be much more able to understand the bill. The amendment which I offered, in the nature of a substitute, would carry out those and the administration's recommendations except for the recapture fee, but would leave the allocation of foreign quotas just as it is now until next year when Congress would be asked to formulate a permanent, and I hope, more acceptable method of allocation of foreign quotas.

I wanted to ask you why you think it is necessary to have a 5-year bill this year?

Mr. SCHNITTKER. I would not say, sir, that it is necessary to have a 5-year bill. It is important to have a long-term bill, important from the domestic standpoint so that sugar producers know where they stand, and similarly important from the standpoint of foreign quotas so that foreign suppliers can make their plans with as much advance knowledge as possible of their entry prospects in the U.S. market.

Senator FULBRIGHT. But is seems to me this conflicts with one of your principles about allocations with regard to performance. If this bill is going to be for 5 years, you don't retain the discretion to change it in view of the performance?

Mr. SCHNITTKER. It does include provisions which would reduce quotas in the event countries did not fulfill those quotas without cause.

Senator FULBRIGHT. But there might be other reasons why you would want to change them. I don't see why you want to tie your hands for 5 years. Why shouldn't the proposal allow the administration to retain some discretion; aside from that particular reason, there may be political reasons or other reasons why you would want to change the quotas, and I think you ought to have that discretion.

Mr. SCHNITTKER. There are many elements of discretion in the bill. For example, in the event Cuba were to come back into the family of free nations there is authority for the Cuban quota to be taken from the countries which have it now and to go back to Cuba. There is discretion for the President to suspend the quota of any country if it is in the interests of the United States.

Senator FULBRIGHT. As a practical matter, if these countries are given allocations under this bill for 5 years, do you think you would ever return the Cuban quota at anything like the amount reserved? Isn't that purely theoretical?

Mr. SCHNITTKER. I would say "No" to your question. I think as a practical——

Senator DOUGLAS. What is the answer?

Mr. SCHNITTKER. As a practical matter the continued reservation of the Cuban quota is important to our foreign relations and adds something to the prospects for Cuba to come back into the realm of free nations.

Senator FULBRIGHT. I think it would add very little because what you would be faced with is taking it away from some of these other developing countries to whom we have deep obligations. We will have assumed deep obligations, and you will be faced with the dilemma of taking it away from Brazil or taking it away from Mexico or taking it away from Argentina in favor of Cuba. As a practical matter you are not likely to do that because they already had their organization and their lobbyists and Cuba doesn't.

I don't see how you think there is any practical probability of taking the quota away from those that have it.

Mr. SCHNITTKER. I would assume that the President, in the conduct of the foreign policy, would weigh the merits of doing it and would be able to act if the occasion required it.

Senator FULBRIGHT. Well, if the President has that authority; but suppose these allocations are continued by the House of Representatives, the Congress rather than the Executive?

Mr. SCHNITTKER. Well, under both the House bill and the administration bill, the President would have that authority to return the Cuban quota all or in part to Cuba whenever it was in the interest of the United States.

Senator FULBRIGHT. Let me ask you why should we not confine these bonus payments, at least to the Western Hemisphere countries, that is the poor countries which are receiving aid.

What excuse is there for giving a bonus to the non-Western Hemisphere countries, particularly South Africa and Australia? What occasion is there for giving them the bonus?

Mr. SCHNITTKER. It certainly has not as strong justification as in the case of the developing countries. But following out our practice of nondiscrimination in trade among free nations we would extend that bonus, as the Senator calls it, to the other supplying countries as well.

Senator LONG. May I interrupt at this point? The State Department will testify on this. But didn't you call those people and tell them, when you couldn't buy sugar anywhere else, that if they would deliver sugar you would keep that in mind and you would try to make it up to them later when you couldn't get sugar anywhere else?

Mr. SCHNITTKER. We did in 1963——

Senator LONG. You didn't answer that before, and I think you should have said it.

Mr. SCHNITTKER (continuing). And 1964. We did tell these countries that the administration, the executive branch, in making recommendations to Congress, would take their response into account.

Senator WILLIAMS. How much did Ireland let you have in 1964?

Mr. SCHNITTKER. Excuse me?

Senator WILLIAMS. How much did we get from Ireland in 1964?

Mr. SCHNITTKER. No sugar imports from Ireland in 1964.

Senator WILLIAMS. You took that into consideration, too, did you?

Mr. SCHNITTKER. In 1963 we had 10,000 tons approximately from Ireland, and so that combination came out to, I think, a little over 2,000 in the administration recommendations.

Senator LONG. Would you mind acquiring and presenting for the record today, before sundown or at least before midnight, the communications you sent those people when you were asking them to sell you sugar at a time when everybody else wanted sugar and you couldn't buy it somewhere else?

Mr. SCHNITTKER. Yes, we can insert that in the record immediately, and I would just add here our importing countries were advised through our embassies that and I quote:

> Total 1964 deliveries, particularly those shipped or committed early by individual countries, will have strong bearing on the administration's recommendation to the Congress regarding allocation of country quotas after 1964.

And the 1965 quotas which were established by administrative action do take into account very strongly the 1964 and 1963 performance.

Senator FULBRIGHT. Mr. Schnittker, you also were proposing a recapture fee on foreign imports and you withdrew from that position. You were proposing a recapture fee which would apply across the board. Now, why at the very minimum can't we impose a recapture fee at least on all those countries not in the Western Hemisphere? It seems to me that would be a minimum. It would amount to some $35 million, I think.

Do you have any objection to imposing the recapture fee on all non-Western Hemisphere countries?

Mr. SCHNITTKER. Well, certainly, the State Department could better respond to this than I could, but I would say that we do have objection again on the principle that it would discriminate against certain foreign suppliers on the basis of not being in the Western Hemisphere or not being developing countries.

Senator FULBRIGHT. We discriminate in our foreign aid between countries. We don't give everybody the same amount of foreign aid either on a per capita basis or any other. We make distinctions. I don't follow the reasoning as to why it is discriminatory to not give a country like Australia, which is as well or better off than we are, relative to her size, or South Africa a premium for their sugar. I have nothing against these countries as such. I just see no reason for us to give them a bonus.

Mr. SCHNITTKER. We do have a general policy, though, of nondiscrimination. We afford, if we accord a certain tariff treatment to one country, we accord it to most other countries, and similarly, we accord to certain countries a preferred market in sugar. We have chosen to accord that same market to all countries who can supply sugar.

Senator DOUGLAS. Will the Senator yield?

Senator FULBRIGHT. I yield.

Senator DOUGLAS. Will you do that in the case of automobile parts, equal treatment to all countries?

Senator LONG. Well, now you are from the Department of Agriculture and not an expert on that. Do you want to testify on that?

Mr. SCHNITTKER. I would prefer a response from somebody else.

Senator DOUGLAS. I just want to interject we don't do that.

Senator FULBRIGHT. There are some areas of most-favored nations treatment that we don't extend to all countries. We take into consideration various elements. It doesn't apply exactly equally to all countries. I don't see any justification for giving a handout to these countries that you mention.

I am still a little bit puzzled about your change of mind about the recapture clause.

Can you explain that any more fully?

Mr. SCHNITTKER. Well, only that the indication last December that we expected to recommend to the Congress Sugar Act amendments including an import fee was an indication, not a decision.

Similarly, I believe when industry representatives sent their recommendations to Members of Congress, they indicated their support of an import fee with expectation that the administration was also going to recommend such a fee.

However, the decision was made by midsummer not to recommend a fee.

Senator FULBRIGHT. By whom was the decision made?

Mr. SCHNITTKER. Well, I think, I would simply say, the decision was made by the President. Since the President makes final decisions on all of these matters affecting administration policy.

Senator FULBRIGHT. Did the Department of Agriculture recommend such a decision? The President usually makes decisions of this nature on the recommendation of the Department concerned, doesn't he?

Mr. SCHNITTKER. Senator, on matters which are essentially foreign relations in character, we do have views and we press those views with most anyone who will listen, but we also defer to the Department of State——

Senator FULBRIGHT. Well, can you answer the question, did the Department of Agriculture recommend an import fee to the President? You ought to be able to answer that one way or the other.

Mr. SCHNITTKER. I would have to look at the record, because this discussion of the sugar bill went on long before I became involved in it. In general, our view——

Senator FULBRIGHT. Well, does your colleague Mr. Murphy know. Does anybody representing Agriculture know?

Mr. SCHNITTKER. Tom, can you say whether we ever formally recommended a fee? In general our position would tend to be neutral on this question.

Mr. MURPHY. I think that expresses it very well.

[Laughter.]

Senator FULBRIGHT. I don't know what caused you to change from being positive on October 19, 1964, which is Secretary of Agriculture Freeman's statement in which he said:

No import fee is provided for solely in view of legal limitations. The administration intends to recommend to the Congress reinstitution of a system of import fees in connection with long-term legislation.

Now, what happened, Mr. Murphy, that caused you to become neutral after having been positive?

Mr. MURPHY. Senator, the world price for sugar in the fall of last year was something over 3, perhaps, 3¼ cents. As this year progressed it fell lower and lower. It got down eventually to 1¾ or 1⅔ cents. The countries, particularly those in Latin America, were in a very difficult situation, not only because sugar prices had gone to rock bottom but also because prices for cocoa and other tropical products likewise had been adversely affected.

There was concern, I believe, for the plight of these countries.

Senator FULBRIGHT. So in effect you think it was just to aid these countries in Latin America that changed this view?

Mr. SCHNITTKER. The basic reason for the final decision was concern with the need of these countries to earn the maximum of foreign exchange.

Senator FULBRIGHT. Mr. Chairman, I think, if it is not already in the record, this statement of the Secretary of Agriculture be put in.

Senator LONG. I instruct the reporter to put it in the record.

Senator FULBRIGHT. That was their position on October 19, 1964.

(The statement referred to follows:)

U.S. DEPARTMENT OF AGRICULTURE,
Washington, October 19, 1964.

SECRETARY FREEMAN PROPOSES 1965 SUGAR ACTIONS

Secretary of Agriculture Orville L. Freeman announced today actions he proposes to take with respect to the administration of the sugar program in 1965.

The actions would result in (1) determining sugar requirements and establishing quotas for the calendar year 1965 totaling 9,200,000 short tons, raw value; (2) prorating the quota for foreign countries, other than the Republic of the Philippines, to countries which imported sugar into the United States during the calendar years 1963 and 1964; (3) in view of legal limitations, applying no fee to imports.

At the present time the domestic price for raw sugar is almost one-half cent per pound below the price reference point in section 201 of the Sugar Act. Actual consumption of sugar in 1965 is expected to be of the order of 9.8 or 9.9 million tons. Quotas would be set at the conservative level of 9.2 million tons to encourage the maintenance of sugar prices in line with the objectives of the act.

The quotas established for the five domestic areas and for the Republic of the Philippines would be pursuant to the relevant provisions of the Sugar Act. The section of the act which directed the manner of prorating the remainder of requirements to foreign countries will have expired at the end of 1964. Accordingly, under general authority included in the Sugar Act, the quota for such countries would be prorated on the basis of a formula which gives single weighting to 1963 imports into the United States and double weighting to 1964 imports. Basing the proration on recent imports recognizes the performance of countries which committed supplies to this market when sugar was scarce throughout the world.

More than half of the 1965 quota for foreign countries other than the Philippines, stems from the portion of the market reserved for Cuba when friendly relations are resumed with that country. The full quantity of 1965 prorations to individual countries, therefore, should not be regarded as a precedent for quotas in later years.

No import fee is provided for solely in view of legal limitations. The administration intends to recommend to the Congress reinstitution of a system of import fees in connection with long-term legislation.

Quotas and prorations for 1965 would be as follows:

[Short tons, raw value]

Area or country	Quotas and prorations	Direct consumption limit
Domestic beet sugar	2,650,000	No limit
Mainland cane sugar	895,000	No limit
Hawaii	1,110,000	31,464
Puerto Rico	1,140,000	138,000
Virgin Islands	15,232	0
Total domestic areas	5,810,232	169,464
Republic of the Philippines	1,050,000	59,920
Quantity held in reserve for proration to countries listed below when final quota charges for 1964 become available	233,977	0
Argentina	59,383	
Australia	172,317	
Belgium	1,748	182
Brazil	204,635	
British Honduras	3,853	
British West Indies	112,954	
China, Republic of	63,174	
Colombia	27,101	
Costa Rica	32,219	
Dominican Republic	358,405	
Ecuador	45,759	
El Salvador	15,857	
Fiji Islands	42,053	
France	5,328	
French West Indies	39,799	
Guatemala	36,014	
Haiti	20,216	
India	89,433	
Ireland	8,002	8,002
Madagascar	6,739	
Mauritius	13,898	
Mexico	359,450	
Nicaragua	37,483	
Panama	13,330	3,817
Peru	223,214	
Reunion	2,043	
South Africa	98,277	
Southern Rhodesia	8,423	
Turkey	1,411	
Venezuela	2,464	
Grand total	9,200,000	241,385

Senator WILLIAMS. Would you yield for just a moment?

Senator FULBRIGHT. Yes.

Senator WILLIAMS. I understand you changed your position after the world price of sugar dropped from 2½ to 1¾.

Now, in the event that during this 5-year period the world price moves up two and a half or three cents would you recommend the imposition, going back to your original position?

Mr. MURPHY. No, sir. We would hope that the act would be extended for a period of 5 years.

Senator WILLIAMS. But suppose that during this period it goes higher; would you want a trigger in here where you can take it back?

Mr. SCHNITTKER. I think the answer to that is "No," sir.

Senator DOUGLAS. What was the answer?

Mr. SCHNITTKER. The answer is "No."

Senator LONG. Let me ask you this. If the world market price drops is that going to cut the cost of living for these poor devils working in those canefields in these Latin American countries?

Mr. SCHNITTKER. If the world price drops is it going to cut the cost of living?

Senator LONG. Yes, is it going to cut the cost of food for those people, the price——

Mr. SCHNITTKER. I think very, very little.

Senator LONG. Most of them live on rice and a little bit of beef if they can get some. Is that going to cut the cost of living to them if the world market price drops on this sugar?

Mr. SCHNITTKER. The price of sugar is substantially independent from the world price of rice or wheat, hence the price of sugar would have little effect upon their cost of living.

Senator FULBRIGHT. If this is influenced by the price, why wouldn't it be logical in view of your former recommendation and the recent increase in prices to ask, say, for one-half recapture or a quarter, if it was the question of price that influenced you?

Mr. SCHNITTKER. I would say that it was partially a question of price but it was also substantially a question of providing an arrangement which would return the maximum foreign exchange to the sugar exporting countries, whatever the price.

Senator FULBRIGHT. And yet we are very concerned about balance of payments. So you're working directly contrary to the policy of the Treasury, aren't you?

You are doing your best to return a maximum to the foreign countries, where the Treasury is doing its best to diminish the outflow of gold, isn't it?

Mr. SCHNITTKER. Well, these things are never black and white, Senator.

Senator FULBRIGHT. Never black and white?

Mr. SCHNITTKER. The Treasury Department was aware of the decision of—on the sugar fee.

Senator FULBRIGHT. Mr. Schnittker, do you think the administration bill will encourage increased production of sugar abroad?

Mr. SCHNITTKER. No. I think in view of the general conclusion that cost of production in the main areas while slightly below the U.S. price is still well above the present world price, that this ought not encourage any great expansion in world sugar production.

Senator FULBRIGHT. What is the situation now with regard to production of world sugar? Is it in surplus or is it in short supply?

Mr. SCHNITTKER. There was a large surplus in 1961 and 1962 which was used up in 1963 and 1964. The crop last year was a record crop, so there is again a small surplus. But nothing which is overriding at this time.

Senator FULBRIGHT. According to your circular, the 1964 and 1965 is estimated at 65.7 million short tons. This is an alltime record level surpassing the previous one of 1960–61 by 5.6 million tons, is that correct?

Mr. SCHNITTKER. That was production?

Senator FULBRIGHT. Yes.

Mr. SCHNITTKER. Yes, that is correct. The crop is known to be even larger now.

Senator FULBRIGHT. So it is at an alltime high, is that correct?

Mr. SCHNITTKER. Production was at an alltime high but stocks are not at an alltime high. But they are growing.

Senator FULBRIGHT. What was the situation that caused the high prices in 1964? Was this the global quota as has been alleged by some Members of Congress?

Mr. MURPHY. Senator, the real reason as I think most people would agree, is that production in Cuba had deteriorated very badly.

Senator FULBRIGHT. To about one-half of normal, wasn't it?

Mr. MURPHY. To about one-half normal.

Senator FULBRIGHT. And it had 3 bad years, had it not?

Mr. MURPHY. Yes. Each worse than the previous.

Senator FULBRIGHT. Hadn't Western Europe had 2 bad years for sugar production; 1961, 1962?

Mr. MURPHY. That is correct.

Senator FULBRIGHT. It was not the global quota. It was simply normal short supply due to failure of the crop, wasn't it?

Mr. MURPHY. I think most people would agree on that.

Senator FULBRIGHT. You think that?

Mr. MURPHY. Yes, sir.

Senator FULBRIGHT. And the industry thinks that?

That is something that the legislation couldn't influence at all. It was the weather, wasn't it, and management?

Mr. SCHNITTKER. And management.

Senator FULBRIGHT. Mr. Schnittker, in the allocation of quotas lobbyists for the foreign countries contact you and do they help you in arriving at your decision?

Mr. SCHNITTKER. They do not.

Senator FULBRIGHT. You never have contact with them?

Mr. SCHNITTKER. I have never had contact with foreign lobbyists for the purpose of discussing sugar or sugar quota allocations. I am confident that I have met people who may be or may have been lobbyists for foreign governments for sugar or other reasons but not for the purpose of discussing sugar allocations.

Senator FULBRIGHT. Isn't—it isn't customary for you to have them present in your executive meetings to discuss the final form of these bills?

Mr. SCHNITTKER. Not only is it not customary, we positively reject the idea.

Senator FULBRIGHT. Is that the general rule in your Department?

Mr. SCHNITTKER. It is.

Senator FULBRIGHT. Whether it is you or someone else?

Mr. SCHNITTKER. That is the general rule and I believe has been the general rule.

Senator FULBRIGHT. Mr. Schnittker, have you seen the proposal that I have offered to this bill?

Mr. SCHNITTKER. Yes, I have.

Senator FULBRIGHT. What is your comment with regard to it?

Mr. SCHNITTKER. Well, certainly, insofar as it relates to domestic sugar quotas for the remainder of this year it could ease a difficult domestic situation. From the standpoint——

Senator FULBRIGHT. That is exactly what the administration bill would do, wouldn't it?

Mr. SCHNITTKER. It would.

Senator FULBRIGHT. Why are you so careful—it would ease it, it would answer it beautifully, would it not?

Mr. SCHNITTKER. All right. It would solve the domestic problem.

Senator FULBRIGHT. Well, that is nice of you. [Laughter.]

What is wrong with it, then?

Mr. SCHNITTKER. From the standpoint of foreign quotas, it would cause the administration and the Congress to be faced next April 30 with exactly the kind of problem it faces today.

Senator FULBRIGHT. But you would have the same quotas, the same power to give quotas that you did this year, wouldn't you?

Mr. SCHNITTKER. For 1966 we would have the authority to apportion quotas just as we did for 1965.

Senator FULBRIGHT. Just as this year. You would have complete discretion, wouldn't you?

Mr. SCHNITTKER. Yes.

Senator FULBRIGHT. Why do you object to that?

Mr. SCHNITTKER. Well, I object to that because we need to get a system, a formula for allocating foreign quotas established for the longrun future, not just for 1966. The administration bill does set down an allocation and it sets down a formula since it has provisions in it for suspending quotas, increasing quotas, allocating deficits, and so forth.

Senator FULBRIGHT. When I started out I said the trouble that bothers me is that you send this bill up here and we have had just 1 day, it is the plan of the chairman as I understand it to have 1 day of hearing on this bill. There is a great deal of money involved in this program. The effect of my amendment would be to defer the decision on the permanent method of allocation until April, and presumably at that time we would have an opportunity for normal hearings in this committee to see whether or not we approve of the formula that you submitted.

Personally, I don't approve of this one. I can't approve of your theory of handing out bonuses to certain countries we have already mentioned. There are some others there that I have grave questions about. I don't accept your idea that we can't discriminate among countries just as I don't accept the principle that in the administration of our regular aid program that we don't make distinctions between countries.

There is no principle under the aid program that we have to treat every country alike, and in fact I object very strenuously to the way they do treat certain countries. There is much disagreement about it. Of course, there has been no vote on this committee but there have been several members evidence some dissatisfaction in the formula you have presented.

You have complete discretion to set the quotas next year just as you have this year, on the same principle if you like. But we would have an opportunity next spring to look at it carefully, not being under the gun of being told we have got to act immediately in order to save the sugar industry. We would have an opportunity to look at it carefully.

Frankly, I don't understand a lot about this bill. I used to study it much more carefully than I do now but having objected to them in the past and having been defeated every time I more or less gave up. But this year I sensed because of things that happened in the House and elsewhere that there was renewed interest in this bill. Therefore, I thought it was worthwhile, at least, to offer a substitute proposal. That is the reason I did it. I don't know whether there is any hope in getting it passed or not, but it looked as if there might be a chance to do it.

If you have no real serious objection to it, it seems to me it would be the wise thing to do. Can you say whether you seriously object to that solution or not?

Mr. SCHNITTKER. Well, your solution, Senator Fulbright, has several parts.

One is the question of postponing the decision until next year, and we believe that the Congress could reach agreement on the apportionment of foreign quotas yet during this session of Congress, and we hope that that can be concluded.

Secondly, as I recall your bill, it would not establish foreign quotas for a fixed period with discretion then to alter them based upon certain conditions, but rather would leave in the executive branch the authority to allocate those quotas each year.

Senator FULBRIGHT. Well, the executive branch could also adopt, if it saw fit, a formula which they would announce they were going to follow. You have discretion to develop a formula for the allocation of foreign quotas. You could say, as you can now, "Well, this is what we propose to follow."

You have often changed your mind just as you changed it, for reasons not clear to me, about the recapture clause. Even this bill could be changed I suppose, but it is not likely to be once it is enacted for 5 years.

This problem really didn't come up because of any delinquency on the part of Congress but because you didn't bring this bill up until August and it only came over here this morning. I think it is very unfair to expect us to exercise any kind of intelligent judgment with a hearing that lasts 1 day. I think we ought to have more opportunity to study it, to have our staffs study it, and if I have to vote on it the way it is I am going to vote against it, not that that means very much to you, but that is the reason why. If we can have the foreign portion deferred, I would vote for it—if we could have an opportunity for it to be considered further in the spring.

I believe that is all, Mr. Chairman.

Senator LONG. Thank you very much.

Senator Carlson?

Senator CARLSON. Mr. Chairman, I have to leave for another committee that is working on a very important piece of legislation and that is the Federal pay increase. I have had to miss most of the session this morning and I am going to have to leave within the next 15 minutes for another session of that committee. Just this one thought: I am concerned, as Mr. Schnittker knows, being a Kansan about the sugarbeet acreage, and quota allocations—there are 500,000 tons or a half million tons that we need to enact legislation in order to—so he can move this domestic sugar. I, as a member of this committee am not happy about this situation that this bill always comes in at the end of the session. We have 1 or 2 days to consider this bill.

Can we not write some legislation that will protect our domestic producers and then give us some time next year to work out this other phase of it?

Mr. SCHNITTKER. Senator, I responded to one of the members this morning indicating that in the event the Senate cannot agree to a bill or the two Houses cannot agree to a long-term solution including foreign quotas we are certainly prepared to discuss that kind of a solution.

Senator CARLSON. Personally I am not happy about the way the bill is here. This is not the first year, it has been this way for many years, where we have to pass the sugar bill within 2 or 3 days. I do know we have a domestic sugar problem at the present time, because we have got some sugar in this country we can't move unless we get some allocations.

So, I am seriously considering following along the suggestions of the Senator from Arkansas, providing we can work out something whereby we take care of the domestic sugar situation and give us a little more time on some of these allocations or give us at least time in this committee to have some reasonable hearings and reasonable executive sessions. It concerns me very seriously, and as Mr. Schnittker well knows our State does have an interest in this sugar bill.

I would ask one or two questions in regard to the possibility of using some of our sugar quotas for trading agricultural products. I noticed that we have had some direct offers for instance from Brazil, they are going to need upward of a million tons of wheat annually, and they got additional purchases now that are going to have to be made from Argentina and Uruguay.

Isn't there some way that we can work out a barter agreement on the disposition of some of this sugar?

Mr. SCHNITTKER. Well, certainly, arrangements like that could be worked out, but they tend to disorganize the markets for commodities in the countries such as Brazil, which would send us sugar, and get wheat, and the quota premium on sugar could be used to depress and disorganize the wheat market in Brazil.

Secondly, it is very difficult, both in Public Law 480 and in commercial trade, to show that such a transaction is additional trade.

Senator CARLSON. Did I understand you to say that it could be used to depress the market for wheat in Brazil?

Mr. SCHNITTKER. Yes. Having collected the premium on sugar in the U.S. market, that premium could be used in effect to dispose of the wheat in Brazil at less than a fair sale price, thus disorganizing the market for wheat or food grains or any other product in that country.

Senator CARLSON. Is it not a fact that the Brazilian Government, through its Embassy in Washington, presented officially a proposal to use the dollar receipts from 100,000 tons of sugar to be applied against the Puerto Rican deficit nor the immediate purchase of U.S. wheat during the following 3 months?

Mr. SCHNITTKER. I am not aware of the details on this, and certainly it is possible that some governments could prevent this market disorganization.

Senator CARLSON. I have been advised that they have made that offer.

Now, I may be in error.

Mr. SCHNITTKER. I understand there is some kind of a general offer, but I don't know of the details of it.

Senator CARLSON. As one member of this committee interested in trade, and realizing the value of our international situation as far as trade is concerned, I sometimes personally feel that we fail to take advantage of some of these opportunities to assist our own country, and I hate to say this, but I am going to go slow this year on establishing these sugar quotas. At least I hope we are going to have hearings more than today.

That is all, Mr. Chairman.

Senator WILLIAMS. Mr. Chairman, I don't want to renew this. But one question: Assuming we follow the line suggested by the Senator from Arkansas which I, too, am in favor of doing, as I mentioned earlier, because I think we should have more time, particularly on the foreign quotas. As I understand it, there is a decision to be made between now and the end of the year on about 500,000 tons, whether we use it out of our sugar which is stored in our warehouses domestically or whether we buy it offshore. Is that correct?

Mr. SCHNITTKER. That is correct.

Senator WILLIAMS. I am in favor of using it out of our warehouses, but I want to point out that it will also mean a difference of about $60 million in our balance of payments; will it not?

Mr. SCHNITTKER. If we are able to use it out of our warehouses.

Senator WILLIAMS. We have the sugar here in our warehouses in surplus, and it would seem to me that it would be just a matter of good commonsense to use something that we have here rather than paying storage on it and rather than going offshore and putting up $60 million hard money when we don't have it.

Mr. SCHNITTKER. It seems to us absolutely essential to have this authority so that we can permit the marketing of this additional domestic sugar this year.

Senator WILLIAMS. I think on that point we could reach an agreement very quickly. If you will just go along with us now that the rest of it is not so all-fired important that it cannot go over to next year I think we could close this out very rapidly and next year come in in a more orderly manner, sit down, and discuss a revision of this foreign quotas. I think, like the rest, that we need some kind of a recapture provision or else a complete overhaul of the present system.

Mr. SCHNITTKER. With your permission, I would defer that discussion to Mr. Mann.

Senator LONG. Senator Hartke?

Senator HARTKE. You said you had discussions with the State Department concerning matters of foreign policy in regard to the Sugar Act, is that true?

Mr. SCHNITTKER. Yes, that is true.

Senator HARTKE. In other words, there are foreign policy considerations which are involved in the ultimate determination as to the administration in the formulation of agricultural policy, Agriculture Department policy?

Mr. SCHNITTKER. Yes, both under past sugar acts an under the proposed Sugar Act and for other farm commodities as well.

Senator HARTKE. Do you discuss it with the administrators and the officials in AID?

Mr. SCHNITTKER. I think our contacts with AID on sugar are generally through the Department of State.

Senator HARTKE. Well, you have none, is that right?

Mr. SCHNITTKER. I don't know of any direct contact with the Agency for International Development on sugar questions by the Department of Agriculture.

Senator HARTKE. Have they requested that they be permitted to discuss this matter with the Agriculture Department?

Mr. SCHNITTKER. Not to my knowledge.

Senator HARTKE. Would you refuse to discuss it with them or have you refused to discuss it with them?

Mr. SCHNITTKER. I don't believe we would, and I am quite sure we have not.

Senator HARTKE. If they would say that you refused to discuss it with them, would you say that they are in error or that they are telling—they are properly representing the truth in this regard?

Mr. SCHNITTKER. I would be very surprised if we have formally refused to discuss sugar questions with AID.

Senator HARTKE. Formally.

Would you say you have informally done so?

Mr. SCHNITTKER. I would be equally surprised if we have refused to have informal discussions on sugar with AID.

Senator HARTKE. All right.

You believe in what is called the single criterion, is that true? You are approaching this with a single criterion?

Mr. SCHNITTKER. Yes.

Senator HARTKE. All right.

In that do you take into—have any stand whatsoever with regard to our foreign policy considerations with reference to the Alliance for Progress countries?

Mr. SCHNITTKER. It happens that the countries which get major benefits from the foreign quota apportionment which we have proposed are also Alliance for Progress countries. As I described earlier, the decision not to recommend any import fee is related directly to the needs of Alliance for Progress countries.

Senator HARTKE. But basically your approach on the quotas and your formulation of quotas and recommendations, is made without regard to our Alliance for Progress program, isn't that true?

Mr. SCHNITTKER. The Alliance for Progress considerations were secondary. Luckily they fall very nicely into the pattern.

Senator HARTKE. But only luckily. In other words, what I am trying to say, is do we have a policy of this Government that all the departments of Government are going to go down the same path or do we just buy happenstance and luckily, agree that the Alliance for Progress shall be a consideration in an element such as in the sugar program or don't we have any overall policy?

Mr. SCHNITTKER. I think we have an overall policy, and the administration recommendations on the import fee and the administration recommendation on the quota allocation treat the Alliance for Progress countries very favorably.

Senator HARTKE. I don't think about treating them. As I understood you, you have the single criterion, let's state what that is, first.

Mr. SCHNITTKER. To give——

Senator HARTKE. On the allocations.

Mr. SCHNITTKER. To give weight, to the 1963 and 1964 sugar shipments to this market in determining future quota allocations.

Senator HARTKE. In other words, regardless of whether or not these countries are potentially in danger of Communist infiltration, Communist takeover, whether or not they are especially friendly to us or whether they are adverse to us, the sole consideration and the primary consideration is not the question or our relations with these countries but whether or not in 1963 and 1964 they shipped sugar to the United States.

Mr. SCHNITTKER. The primary consideration, not the sole consideration.

Senator HARTKE. But that is the primary consideration.

As I understand, Senator Fulbright asked some questions about the imposition of the fee, and the question of the most-favored-nation clause was raised as one objection. This would not be an objection in relation to the portion which would previously—had been set aside for Cuba and which is now reallocated, would it?

In other words, could you have the fee established on that basis, the amount which previously had been allocated and allotted to Cuba?

Mr. SCHNITTKER. Yes, I think that one could do that, but I believe we would tend to treat all the countries alike who share in that kind of special quota. And the discussion with Senator Fulbright——

Senator HARTKE. Why couldn't you do it if they are receiving special benefit from that portion, at least impose the fee on that portion of it, if you don't want to impose it on all of it?

Mr. SCHNITTKER. Well, if one were going to impose a fee, I think this would be a—this may be a plausable way of doing it. But——

Senator HARTKE. Halfhearted endorsement.

Mr. SCHNITTKER. But the decision was against any fee. Hence we don't need in our recommendations a system for imposing it.

Senator HARTKE. Just one clarification: you say you have not refused—let me change that.

Have you requested consultation with the AID people concerning this situation in regard to the Alliance for Progress or any of the other AID activities in relation to the sugar program?

Mr. SCHNITTKER. I think so far as the Department of Agriculture is concerned, no. But since AID is an integral part of the State Department, I would trust that the representative of the State Department may have a further answer on this.

Senator HARTKE. That is all the questions, Mr. Chairman.

Senator DOUGLAS. Mr. Chairman, I should like to have the privilege of asking a further question.

Senator LONG. Senator Douglas.

Senator DOUGLAS. What is the attitude of the sugar importers to this bill, and by sugar importers, I refer to the New York agents who purchase and resell.

Mr. SCHNITTKER. Mr. Murphy advised me that he would judge that the importers do not have a strong view one way or the other. But that they would generally favor it.

Senator DOUGLAS. Have they made those desires known?

Mr. SCHNITTKER. Not to the Department of Agriculture so far as I know.

Senator DOUGLAS. Are they in favor of the import fee or opposed to the import fee?

Mr. SCHNITTKER. I think they would be indifferent to it.

Senator DOUGLAS. Indifferent.

Are you aware of the way in which the importers are compensated for their dealings in sugar. Is it true that importers receive a fee not merely on so much per ton but on the difference between the world price and the domestic price and that therefore it is to their advantage to have this difference as great as possible. Or are they paid as a percentage of gross receipts and thus also have an incentive for a high price?

Mr. SCHNITTKER. I would suppose they would have operated on a flat fee, not a percentage of the difference.

Senator DOUGLAS. A tonnage fee?

Mr. SCHNITTKER. A flat fee per ton.

Senator DOUGLAS. Yes.

Mr. SCHNITTKER. So they might be interested in the total tonnage but they would not have an interest——

Senator DOUGLAS. They would not have an interest in widening or having as wide a gap between the world price and domestic price.

Mr. SCHNITTKER. I don't believe that they would.

Senator DOUGLAS. Or between amounts.

Mr. Murphy, can you reply to that?

Mr. MURPHY. Well, I would say that to a large degree they are merchants, they buy and sell and they hedge, and in their capacity as merchants, I don't believe they would have any care one way or the other.

Now, it may be that some of them have some producing interests somewhere.

Senator DOUGLAS. Pardon?

Mr. MURPHY. Some of them may have a producing interest.

Senator DOUGLAS. A producing interest?

Mr. MURPHY. In addition to their merchandising function. They may have a producing interest. Of course if they have a producing interest this would change the situation. Generally they are merchants.

Senator DOUGLAS. You have been an expert in the sugar field for some time, have you not?

Mr. MURPHY. Well I have been in the sugar field for some time.

Senator DOUGLAS. Yes. You say they may have a producing interest. Do you know whether any of them actually have a producing interest?

Mr. MURPHY. I am aware that there are some in the United States. Now there may be some in the rest of the world but I am not sure.

Senator DOUGLAS. That is, some New York merchants also are producing sugar outside the United States?

Mr. MURPHY. That may be so. Some are producing——

Senator DOUGLAS. Now look, Mr. Murphy, you are one of the greatest experts of the world on this subject and you were preceded in the Department of Agriculture by probably the greatest expert in the world, unfortunately one we have lost, are you going to make your reply conjectural or is it going to be definite?

Mr. MURPHY. Mine will have to be conjectural because I really don't know what their interests are outside of the United States. I know there are some alliances but I don't know what they are.

Senator DOUGLAS. Have you ever heard that their fees are in part commissioned on the differential which the sellers of sugar obtain?

Mr. MURPHY. In the United States? I have never heard that the fee was conditional on the differential between the U.S. market and the world market.

Senator DOUGLAS. You have never heard of that?

Mr. MURPHY. I have never heard of that.

Senator DOUGLAS. You think it is purely on a tonnage basis?

Mr. MURPHY. No; it could be, but I just have never heard of it.

Senator DOUGLAS. Would you make some inquiries on this subject. I will make some inquiries.

Mr. MURPHY. I will be glad to.

Senator DOUGLAS. And we will compare our inquiries for the record.

Mr. MURPHY. Yes.

Senator LONG. I would just like to get one thing straight because I am not sure I understand it. If I understand this correctly, the reason that we have a differential above a so-called world market price, is that the whole thing started out when Cuba was almost our sole supplier of sugar, and the world market price does not even cover the cost of producing the sugar; is that correct. It doesn't even cover the cost of producing it?

Mr. SCHNITTKER. At the present time that is certainly correct.

Senator LONG. And that is how it has been for years. As I understand it, this differential started back at the time when we had liberated Cuba. Cuba was our sole supplier, and those were American-owned companies producing sugar in Cuba. We arrived at the conclusion that if we made those people sell sugar to us at the world market price all we were doing was just starving a bunch of poor, ignorant scarecrows to death so we decided we would buy it at a premium price so that they could exist; is that correct?

Mr. MURPHY. That certainly is one of the purposes. I think if you will permit me.

Senator LONG. Yes.

Mr. MURPHY. The retail price in the United States is about the same as it is in most of the countries of the world, which suggests that our cost of sugar——

Senator LONG. Our price is about the same as all the other countries in the world?

Mr. MURPHY. Yes.

Secondly, it is a fact that the U.K. pays a premium price on most of its imports, France does the same, U.S.S.R. pays 6 cents but it is barter, I don't know how much premium that involves. So that most of the sugar in international trade moves at a price substantially above the world market price, meaning that many exporting countries, most countries, have a blended price.

Senator LONG. Now we talk about the world market price. As I understand this, and I don't understand it too well, but I had to learn something about it down through the years, 90 percent of all the world sugar is produced under arrangements either by the Government that produces it or by somebody who buys it from them, where it is all contracted for, and this so-called world market is the other 10 percent, and that is sugar that has no home, no place to go. It is an orphan child. Now in scarce years you might pay 50 cents for it. In plentiful years it is dumped sugar, and we carry it in inventory. We used to count on Cuba to carry a big inventory to take care of us in the event something went wrong with our crop.

But the weather in Florida is substantially the same as the weather in Cuba, and basically the cost is pretty much parallel. Now, if you are going to produce sugar and sell it at the price that some folks would like to say is the so-called world price all you are doing is squeezing the lifeblood out of the those workers in the field, isn't that about the size of it?

Mr. MURPHY. I would agree. If the world market price is the basis that you are going to pay it is below cost three-fourths or four-fifths of the time.

Senator LONG. At the time you talk about buying sugar in the world market price all you are talking about is about taking a bunch of poor, ignorant scarecrows and if they have 6 ounces of fat on them, taking off that last 6 ounces of fat, isn't that about what we are talking about to make them produce for the world market. That is about what we are talking about; isn't that right?

Mr. MURPHY. It is awfully close.

Senator LONG. You can't produce it at that price. Where are you going to cut your costs? Take it out of the hides of those people, the poor old fellow out there with a machete, take it out of him? Where else are they going to cut their costs.

Mr. MURPHY. I agree with you.

Senator LONG. You can't produce at that price. You can't produce it for the world market price. You have got to cut your costs, where are you going to cut it?

Mr. MURPHY. Wages.

Senator LONG. That is the only place you can cut. So you squeeze it out of the hides of people. As I understand it, the reason we started paying a premium to begin with was that we felt some responsibility toward Cuba since we captured that island, and we said "Well, now, these folks can't produce sugar at that price. Look at those poor pitiful starving scarecrows," and so we say, well, we will pay them a little more than that. Isn't that where the premium got started to begin with? We assumed the people couldn't produce it that cheaply unless they just starved the poor workers to death.

Mr. MURPHY. That is right.

Senator LONG. That is the whole history of it.

Senator FULBRIGHT. Mr. Chairman——

Senator LONG. If I may say one thing before I turn it over to the chairman of the Foreign Relations Committee.

Senator FULBRIGHT. I want to find out how many tons move at the world price.

Mr. SCHNITTKER. Ten percent.

Senator FULBRIGHT. How many tons?

Mr. SCHNITTKER. Six million tons.

Senator FULBRIGHT. That is all I want to know.

Senator LONG. If I recall my distinguished chairman, and he is a great chairman and I admire him, he is as fair a chairman and as honorable a man as I ever met in my life, but he and I used to go down and speak to these rice producers together and his program was that we ought to buy all of our sugar from Cuba, shouldn't even have a sugar industry, and then we ought to ship rice to Cuba.

He has rice production, so do we, every acre that produces sugar in my State can produce rice, so we ought to produce rice and no sugar, and we ought to rely upon Cuba entirely. If I do say when Castro took that island I figured out that was a Communist takeover faster than Mr. Fulbright did, but now having done that where would we be now if Castro was our sole supplier of sugar. Would you mind explaining that to me. Where would we be now if we were relying entirely on Castro for sugar.

Mr. MURPHY. If we had relied entirely on Castro for sugar and his production went downhill as it did after he took over?

Senator LONG. Suppose he wouldn't sell it. Suppose he decided to pour it out, he said, "I don't like you people." We don't like him. Suppose he said "We don't like you either."

Mr. MURPHY. We would have had to buy all our sugar needs from other countries.

Senator LONG. It just happened the year before he took over you had a crop failure around the world.

Mr. MURPHY. Around the world.

Senator LONG. Yes. Supposing he said "I won't sell it to you."

Senator WILLIAMS. You didn't buy it anyway, did you.

Senator LONG. No. Thank the merciful Lord we had arranged to have a sugar industry here and we had somebody else we could count on. And what you are proposing here is to give those folks a premium that they deliver it, as I understand it. You said "If you deliver now, we won't forget you later on." Isn't that right, that is your bill.

Mr. MURPHY. That is the bill.

Senator LONG. And so you said "Now here we won't forget you, you come through now and we will be your friend later on," and these people delivered, and they tell me it cost Mexico $12 million to come through on that but they did. Isn't that why you recommended Mexico gets a quota.

Mr. SCHNITTKER. That is correct.

Senator LONG. Now where would we have been if we had no sugar industry, and had a worldwide crop failure on sugar?

Mr. SCHNITTKER. We would have had a lot——

Senator LONG. We would have been living on saccharin, wouldn't we, Metrecal, not even Metrecal, that has some sugar in it.

Senator HARTKE. Will you yield on Metrecal made in Evansville, Ind.

Senator LONG. Metrecal minus the sugar, starch instead of sugar in Metrecal.

Senator FULBRIGHT. Mr. Chairman, I don't wish to prolong this, but I would like to set the record straight. I never advocated that we buy all our sugar from Cuba. At that time we were putting restrictions upon the amount we would buy from Cuba. I was more than willing to buy from Brazil, or Peru or any place else.

As a matter of fact, I opposed the bill in toto and thought that sugar ought to be produced where it could be produced most cheaply. This business you speak of the 6 million tons being depressed, of course it partly arises from the fact that we used captive markets we are talking about. There is very little free trading. But I never proposed that we buy only from Cuba. The fact was Cuba was a good market for rice, so are some of the other countries that were potential markets. But not producing a lot of sugar or any sugar, as the Senator from Louisiana did, I thought it was quite proper that we should be allowed to seek a market without artificial obstructions being put in the way by the sugar bill. I still think this sugar bill is one of the most indefensible domestic subsidies we have. It is all out of proportion to the size of it, to an uneconomic industry. I have already given up that fight. We tried that and I couldn't succeed.

I am trying to cooperate with the Senator now, and if we will pass a bill that will allow us to have normal hearings on it as I propose I intend to vote for it.

Senator LONG. I thank the Senator. You see, I am not prejudiced in this matter. My State produces both rice and sugar.

Senator FULBRIGHT. You do all right either way.

Senator LONG. But the Department of Agriculture tells me that rice is the most subsidized crop in America. Now the Senator produces rice in his State. We produce rice and sugar both. As between subsidized crops rice tops the list. So the Senator goes before his rice producers and he says now we ought to quit producing sugar. Let us get our sugar from Cuba, and then let us sell Cuba rice.

Senator FULBRIGHT. The Senator is incorrect.

Senator LONG. And the rice producers applauded that, which is all fine for rice producers.

Senator FULBRIGHT. The Senator is misstating the facts.

Senator LONG. I am glad the Senator corrected himself. He now says he didn't want to get it from Castro but other countries, I am glad he clarifies his statements to include other people. The program could have been a disaster.

Senator FULBRIGHT. If the Senator can find anywhere in any statement that I said we should cease to buy sugar in this country I will buy him a hat. I never said it any time.

Senator LONG. I hope we can get that rice association up before us and we will have the same crowd we had last time and then we can say: "Look, fellows, you sat and heard the testimony. Fulbright made his speech, and Long made his speech, both of them were for rice producers except one of them wanted to put the sugar folks out of business."

He came from a State that doesn't produce sugar which I think is a statesmanlike thing to do. [Laughter.]

Rice is the most subsidized crop there is, Senator.

Senator FULBRIGHT. The Senator doesn't state the facts as to what I said at all. He is misstating the facts, and particularly with regard to cane sugar. In the first place cane sugar is much better than beet sugar, and [laughter] and the only States which were producing cane sugar were Florida and Louisiana. They are the only ones that naturally were adapted for it.

The others are largely artificial and is created by this subsidy.

Senator LONG. I wouldn't debate the Senator if I didn't know he could cover the ground he stands on. Thank you very much.

Senator HARTKE. Mr. Chairman, may I ask you one more questiton. You did not direct a memorandum to the AID?

Mr. SCHNITTKER. Agency for International Development?

Senator HARTKE. AID, that is what I am talking about, whatever the technical name is, you have not directed any memorandum to the AID people to inquire as to any possibility of determining any of your policies with relation to the Alliance for Progress nor have you received any memorandum from them, is that true?

Mr. SCHNITTKER. Senator, to my knowledge, it is true. I don't see every piece of paper that comes in and goes out of the Department.

Senator HARTKE. Yes, I think that is true. I am not trying to put you on the spot but I am just really going to put at rest how disorganized we seem to be in this Government of ours. We seem to be a separate group of nations, agricultural nations, the AID nations, and the State Department nation, and I would like to have a league of nations at least here in the United States, that is all.

Mr. SCHNITTKER. May I respond, sir, that we are in constant consultation with the Department of State on sugar matters and on other agricultural matters.

Senator HARTKE. I understand that. But you know this is a matter involving foreign policy and it wouldn't hurt you people to talk to those AID people. I think they are human.

Mr. SCHNITTKER. We would be glad to talk to them.

Senator WILLIAMS. If the Senator will yield, I will make a suggestion just in the spirit of promoting harmony between the AID program, the Agriculture and the State Departments. If we could put back the 50-percent recapture clause we would raise about $35 million, I understand, and about 57½ percent of that represents the so-called Cuban allotment which is floating, is that correct?

Mr. SCHNITTKER. That is about right.

Senator WILLIAMS. That would be about 20 million. Put your 50-percent recapture clause in, lock your 20 million off in a special fund, feed these Cuban refugees coming over here and we will be feeding them with Cuban sugar and taking care of our AID program; you will have all of your programs at one time. [Laughter.]

Senator LONG. The next witness is Thomas Mann.

Now, Mr. Mann, you have testified before the Foreign Relations Committee, and whether you like it or not, the men you are talking to, three out of four of these Senators, are members of the Foreign Relations Committee and I am going to impose the Fulbright rule on you and that is you can say whatever you want to say and after you get through saying it every Senator has 10 minutes, and after that we will start all over again for another round, and take turns on you but we are not going to have one Senator, me or anybody else, take you on for more than 10 minutes and I am going to ask the clerk to call the roll and keep a stopwatch on us and we will just give everybody a chance to ask some questions.

STATEMENT OF HON. THOMAS C. MANN, UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS

Mr. MANN. Fine, Mr. Chairman. Thank you very much. All the Senators from the Foreign Relations Committee are highly esteemed and they are all friends of mine.

Mr. Chairman, I have a very short statement. In his testimony before the House Agriculture Committee on August 18, my colleague, the Under Secretary of Agriculture stated:

> The administration's legislative proposal as finally developed retains many of the features of previous legislation and provides a balanced approach to the needs of all groups affected by the Sugar Act: consumers, domestic producers, foreign suppliers, and the cane sugar refining industry.

I agree with that statement, Mr. Chairman. The Department of State supports the provision in the legislation under which American farmers would be permitted to market an additional 580,000 tons of sugar each year. This provision recognizes that our domestic sugar industry helped to meet the needs of our consumers in the years of scarcity. In doing so, they increased their plantings and production and accumulated very considerable stocks which they are unable to dispose of in the U.S. market under existing legislation. The recommendations of the administration provide an equitable way for dealing with this problem.

In providing this relief for our domestic industry, the historical balance between foreign and domestic production insofar as the U.S. market is concerned would be upset. The administration proposals deal with this aspect of the problem by provisions which give to foreign producers the growth in our market as it rises from the level of 9.7-million-ton consumption to 10.4 million tons. When consumption reaches 10.4 million tons, the historical balance will have been restored. Then domestic producers will again have 65 percent of the growth in our market and foreign producers 35 percent.

Secondly, there is a question of how to allocate the foreign share of the U.S. market among the many countries which are prepared to sell sugar to us. Allocation of country quotas is always a difficult problem. Essentially, the administration recommends that allocations be made on the basis of recent trade patterns.

We recommend that the years 1963 and 1964 be taken as the base period not only because these are the latest 2 full years for which data are available, but because these are the 2 years at which sugar was committed to the American consumer at prices lower than the then prevailing world price. As the Under Secretary of Agriculture stated before the House Agriculture Committee, and I quote him again:

> The domestic price during the period of world scarcity could not have been held so much below the exorbitant world price level had it not been for the cooperation of many of our foreign suppliers. Each of them sustained a substantial loss of revenue by sending sugar to the United States during that period. At no other time during the life of the Sugar Act was the domestic price at so great a discount for so long a time. The proposed allocation of foreign quotas at the present level of sugar consumption would—as does the administrative allocation for the current year—recognize the cooperation of our supplying countries. Quotas would be allocated essentially on the basis that each country contributed toward our import needs in 1963 and 1964 but with the latter year given double weighting. Although our foreign suppliers

sustained a price discount on their imports to the United States in 1963, the price disadvantage at the time they committed 1964 supplies was much greater, hence the double weighting for that year's performance. Furthermore, when the 1964 supplies were committed in the last weeks of 1963 and the first 2 weeks of 1964, sugar was much scarcer than in early 1963, when that year's imports were committed.

The Department of State continues to believe that this formula for making country allocations is preferable to the method recommended by the House Agriculture Committee. Under the administration's formula there is no discrimination in setting basic sugar quotas. And, in the second place, the administration's formula involves less altering of existing trade patterns than does the selection of a method which does not take into account international trade in sugar during the last 3 years. In sum, I think the administration formula is, everything considered, the fairest and most equitable way to allocate country quotas.

The third question concerning which there has been considerable discussion is the question of the recapture fee. Nearly all of the sugar which we buy offshore is produced by developing countries. For many of them their export trade in sugar is a major source of the dollars which they need in order to import our capital goods, essential to their development, as well as our agricultural exports.

As this committee knows, the growing disparity in the price of primary products from the developing countries in comparison with the prices of manufactured goods is a source of major concern to many nations. In Latin America, for example, 17 nations expressed opposition to any recapture fee as being inconsistent with the spirit of the Alliance for Progress. I personally believe that the Alliance has no more important task than to make it possible for the producers of primary products to realize a return on their exports sufficient to enable them to progress.

The administration's proposals do not, of course, change the present tariff on raw sugar which is 0.625 cent a pound. Foreign producers also, of course, bear the cost of freight and insurance and they do not receive the direct subsidy payment made to our domestic producers. It should be noted in this connection that the price for sugar which foreigners obtain in this market is less than that received by suppliers in other major markets. It is relevant to note in this connection that the United Kingdom pays almost all of its suppliers about 5.8 cents a pound, in comparison to the administration's proposal which currently works out to 5.7 cents a pound. The French pay their suppliers 8 cents a pound. The Russians and the Communist Chinese have promised Cuba 6 cents a pound.

Fourth, from the standpoint of the foreign producer, wages being paid to sugarworkers have been rising; while it is difficult to estimate the average cost of production from our suppliers abroad, the best estimates we have been able to get—admittedly these are imprecise—is that for the bulk of sugar produced the cost of production is in excess of 4 cents a pound and for some suppliers in excess of 5 cents a pound.

Fifth, the Department recommends to the committee that we maintain at the present level the distinction between the permanent and the temporary quotas assigned to suppliers. The temporary quotas represent the share in our market reserved for Cuba when conditions again permit our buying from that source. The present level of the Cuban quota is 57.77 percent of sugar imported from foreign countries other than the Philippines. I am sure that all of us look forward to the day when conditions will permit us to resume our traditional trade with Cuba.

Lastly, the administration's proposal contains a provision that the President be granted broad powers to suspend, in whole or in part, purchases of sugar from any country on grounds of national interest and to authorize the President to allocate deficits in accordance with his determination of the national interest. We think general language of this kind is preferable to more restrictive language tied either to the rupture of diplomatic relations or any other particular circumstance such as those covered in 408(c) of the House bill.

That concludes my statement, Mr. Chairman.

Senator LONG. If I do say, Mr. Mann, you told me some things I didn't realize. Do I understand correctly that Cuba, as a Communist country, is now selling sugar to Russia at 5 percent or perhaps more than that, above the price she would be getting if she would be selling it to us, if she were still part of the free world?

Mr. MANN. The contracts between Cuba and the Soviet Union and China fix a price of 6 cents a pound. Most of this trade between the Communist countries is of course in barter but this is the price fixed in the agreement for Cuban sugar.

Senator LONG. Furthermore, do I understand correctly that the other more developed nations like the United States, and the United Kingdom and France are paying a price substantially above what we are paying for sugar?

Mr. MANN. That is correct, Mr. Chairman.

Senator LONG. Now, the suggestion has been made here that it might help our balance of payments if we did not pay a premium price on sugar.

It has also been suggested that if we pay them a lesser price, we would have to give it back to them in aid. If we pay them a lesser price and then give it back in aid, what would be the net effect on our balance of payments?

Mr. MANN. It would be the same, Mr. Chairman.

Senator LONG. It would be zero, wouldn't it?

Mr. MANN. It would be zero.

Senator LONG. You would be right back where you started from?

Mr. MANN. Correct.

Senator LONG. Don't you think those folks would feel a little prouder and could hold their heads a little higher if they would earn that money instead of taking it as a handout?

Mr. MANN. I do.

Senator LONG. Especially if they are selling at the same price England, France, and Russia are paying for sugar.

Mr. MANN. Correct.

Senator LONG. Well, thank you very much.

Mr. MANN. Thank you, sir.

Senator LONG. Senator Williams?

Senator WILLIAMS. I am just a little bit puzzled. Is the Senator from Louisiana advocating a larger portion of our sugar being bought offshore to help these countries or is he suggesting we buy more of it domestically? As I understood it, the question that was raised in connection with the balance of payments, was to the extent that we produce our own sugar here in this country and use some that we have in warehouses, it would reduce the necessity of buying the offshore sugar and would help our balance of payments and that was referred specifically to in the statement when you suggested that we buy this additional 580,000 tons of sugar which we have on hand in this country.

Senator LONG. You had better let me answer that question because you asked what I had in mind.

Senator WILLIAMS. Well, just a minute. You are suggesting that we use this 580,000 tons that we have on hand; is that not true?

Mr. MANN. Yes, sir. The administration's proposal accepts that the 580,000 tons should be sold in this market, and as I said in my statement, this upsets the traditional balance between the domestic and the foreign supplier. The administration's proposal is that we go back to our traditional basis gradually over a period of time by allocating a larger share of the growth to foreign countries until the balance has been reestablished.

Senator LONG. Let me try to explain what I had in mind because the Senator might be upset. You might not understand what I had in mind.

Senator WILLIAMS. No. No.

Senator LONG. As far as I am concerned I want Louisiana to produce all the cane sugar we can. I am for Louisiana, and I put Louisiana ahead of even any State much less a foreign nation, but we have to join up with the people who produce sugar as well.

Now, you have three domestic interests in sugar. You have got the cane sugar producers, which is about 10 percent. And that is mostly Louisiana. You have the beet sugar producers, who produce about 90 percent of our domestic sugar production, and then you have the refiners.

Now, the refiners do not refine beet sugar, and as far as their investments are concerned, every time we increase the production of beet sugar we just put them out of business, so they are not mad at our Louisiana people for producing cane, because they are refining cane sugar. The people they despise are beet sugar producers because they don't refine beet sugar. So it doesn't make too much difference to them where the cane sugar is produced, whether it is produced in Louisiana, Florida or offshore, Hawaii, just anywhere. So we are just a bunch of poor people caught in the middle insofar as we cane sugar people are concerned. We are caught between the beet sugar people and the refiners and each of them despises one another. They can't get along because the refiners do not refine beet sugar.

So we try to do what we can to get these people together.

Now, as far as I am concerned, I am for Louisiana producing as much sugar as we can, may I say to the Senator from Delaware, and if I could find some way to put a sugarmill up in Delaware I would put it there.

That is one of my big handicaps, I can't put a sugarmill in Delaware. But I am for Delaware producing all the sugar they can produce. There is no real conflict here. All I am saying is when you talk about making these foreign countries of Latin America sell us sugar at the world market price you are talking about depressing their standard of living. Some years ago I tried to make the State Department give us some assurance if we paid a premium price on sugar those workers would get the benefit of that and your people prepared a memorandum which you might find down there which made a very impressive showing. It has never been in the record but you ought to go back and get it because it shows that in most of these countries, if those people get a better price for sugar the workers benefited, isn't that about the size of it, Mr. Mann?

Mr. MANN. That is correct, Mr. Chairman.

Senator WILLIAMS. Whatever I said that started that, I will withdraw. [Laughter.]

Senator LONG. I won't withdraw my remarks. I will leave that in the record. [Laughter.]

Senator WILLIAMS. I still get back to this question. We have this 580,000 tons of sugar in our warehouses, and as I understand it under existing law it requires some authority to use that, otherwise you will be required, as you interpret it, to go offshore and buy this sugar if we don't take action this year, is that not correct?

Mr. MANN. That is my understanding of the law, Senator.

Senator WILLIAMS. If that is true that would mean putting out an additional $60 million which we would not have to put out if we use the sugar which is in our warehouse, is that correct?

Mr. MANN. Well, the administration formula proposes that we use that.

Senator WILLIAMS. I know you did. It is just a statement of fact. I am not arguing with you.

Mr. MANN. Yes, and in the hypothetical situation you mention that is correct.

Senator WILLIAMS. To that extent in this immediate period where we are bothered with a balance-of-payments problem we would have $60 million on our balance of payments this year.

Mr. MANN. Actually I think it is higher than that. I am not sure but what the figure has not increased.

Senator WILLIAMS. It is higher, but that is a rounded figure. It is also true under your proposal that over the years to come, if that is fed back in, we would lose that.

Mr. MANN. We would——

Senator WILLIAMS. As it would be readjusted, but in the immediate future it would represent a gain.

Mr. MANN. Senator, I think it is fair to state that we—the domestic producers, historically in this market, have produced about two-thirds of our sugar consumed in this country, and about a third has been bought abroad. Now, when we absorb the 580,000 tons, actually more than that, I think at the present time, this disturbs the historical two-thirds-one-third balance, and a lot of us believe that trade is good, not bad, and that these countries are entitled to earn their way, and so what we have done is to try to help the domestic industry and at the same time avoid injury to the foreign producer.

Senator WILLIAMS. Now, just one short question. We are confronted with this situation. I realize you have endorsed the administration's bill, but that is not before us. We have before us the bill that was passed by the House yesterday. What is the position of your Department if the question were put in connection with that particular bill. Would you rather see it carried over and not passed, or would you say it is better than no legislation?

Mr. MANN. We, Senator, the first thing I would say is that we have such confidence in the wisdom of the Senate that we think the Senate is going to pass the best bill which is, we think, the administration bill. We hope at least this will be the case.

Senator WILLIAMS. We are joined in that confidence.

Now then, we will talk about Mr. Cooley.

Mr. MANN. If the Senate, in its wisdom, decides not to accept the administration's bill, which I hope is not the case, then I would say—and I am speaking now for myself—I haven't consulted on this with my colleagues—I would say that I hope that a sugar bill, a 5-year sugar bill, hopefully improved over the House version, would be passed at this session of the Congress.

Senator WILLIAMS. Even though it was the Cooley bill?

Mr. MANN. I would hope that——

Senator WILLIAMS. Is that correct?

Mr. MANN. I hope it won't be identical with that because if the Senate passed a version that did not coincide exactly, you would go to conference and I would hope the Senate would try to improve on the House bill.

Senator WILLIAMS. I would hope so, and I certainly hope we can improve on your bill, too.

Mr. MANN. It is possible.

Senator WILLIAMS. The point I am making is is this a token opposition to the bill passed by the House or are you going to join some of us in saying we are going to try to stop this House bill and solve this problem right at this particular time?

Mr. MANN. Senator, I think I have made it very clear that we think a sugar bill, a 5-year sugar bill, along the lines proposed by the administration is what the consumer needs in order to have a secure supply available in the future. We think it is such a bill and that it serves the needs of the domestic industry. We think that it serves a vital need in the producing countries of the world, most of which are underdeveloped. We think that obviously we ought to have a Sugar Act. This has been the pattern in our history and when we have had a Sugar Act, sugar prices have been stable and we have gotten along very well. We have gone now nearly a year without a Sugar Act. We were unable, as you know, to get one passed last year, and I would regret it if the decision of the Senate were to postpone this for still another year.

Senator WILLIAMS. Well, the suggestion has been made that we postpone it until the first of the year, when we can have just a little more time to put to it, rather than run it through here with a 1-day hearing and maybe inadequate consideration.

As I understand it, in arriving at your own recommendations you spent many hours or days or weeks in studying this and working out what you thought was an equitable formula, did you not?

Mr. MANN. Senator, the technicians spent a great many man-hours, to use a bureaucratic phrase, on this. I myself did not do all of the arithmetic. I work on other things, too, but I spent a good many hours on it.

Senator WILLIAMS. Do you not think it is important enough that we, too, as members of the committee, and Members of the Senate who are going to have to work on this, spend a few hours on it?

We haven't had the bill before us until this morning, and to be exactly correct I guess we don't have a bill yet. The Senate is not in session, and we won't get the bill until tomorrow.

Senator LONG. You have the best bill before you. You have the Long bill which is the best one.

Senator WILLIAMS. We have the Louisiana bill.

Senator LONG. The one he is advocating, as I understand it.

Mr. MANN. Senator, I regret as much as the Senators here the fact that historically the sugar bills have come to the Senate rather late in the session. I do want to say to you that this is not due to any delay or dereliction on the part of the administration.

Senator WILLIAMS. No, I didn't say that.

Mr. MANN. We introduce a sugar bill in the House where normally they are introduced first, at the time which is convenient to the chairman of the House Agriculture Committee.

Senator WILLIAMS. That was in August.

Mr. MANN. And the House Agriculture Committee determines when the hearings will be held, and when the bill will go to the floor, and that, in turn, usually sets the timing when you receive it here. I regret that it has been late.

Senator WILLIAMS. But the administration knew last year, and you failed to get the enactment of the bill. Yet you did not get your recommendations down even to the House until in August of this year, as I understand it. I am wondering if we couldn't work out some kind of a compromise to extend this over until the early months of next year, at which time we could have orderly hearings, more time for consideration both in the hearings and in the Senate, and really work out a more intelligent solution.

What you are asking for is a 5-year program. It is not just a 1-year program.

Mr. MANN. I respect very much the Senator's view on this. I would like to make two points, Senator.

First, the sugar bill before this committee is not a new bill. This is, in effect, legislation with which this committee is very familiar, has been familiar with over the years. The changes made in it from the traditional pattern are rather easily identifiable and not too significant.

Secondly, if I might suggest, recent history doesn't indicate to me that if we don't get a sugar bill now that we will get one in the spring.

Senator WILLIAMS. Well, you never have tried one in the spring. From my experiences since I have been down here, it was a 2- or 3-day job at the last of the session.

Mr. MANN. This is, to be frank with the Senator, my concern. If the Senate doesn't act it will be sometime before the House and the Senate can get together on a bill, and it will not be the spring, it will be considerably later than the spring and this will introduce uncertainty in the markets here and in markets around the world and in all the countries that depend on this market.

Senator WILLIAMS. Well, you just expressed your great confidence in our ability as members of the Senate, and so if you could just retain that confidence over until next year, why—no further questions, at this time.

Senator LONG. Senator Douglas.

Senator DOUGLAS. Mr. Mann, the differences we developed between the domestic price and the world price of sugar were about 3.6 cents a pound. This comes to $72 a ton on the basis of the total imports from countries other than the Philippines 2,300,000 tons. This would amount to $160 millions bonus to foreign producers. If we bought at the world price these savings would be passed along to the consumers and we would have savings therefore of $160 million.

I take it you are opposed to purchasing at world price.

Mr. MANN. Senator, that is correct. We don't think that it is any wiser to buy sugar at lower than the cost of actual production from our friends abroad than it would be to buy it from our own domestic farmers at a depressed price.

Senator DOUGLAS. I proposed this morning, although I don't know that you heard it, that we not take the market price but rather a 15-year moving average, and I can say that my computations show this would be approximately 4.22 cents. I have been in the Caribbean countries a good deal, and this figure, I have frequently heard in talking with people who know the industry, is a pretty good figure. The high figures in Santo Domingo are due to the fact that when Bosch came in he doubled the wages, and efficiency went down. I approved very much of Bosch in general but I think it is true that costs went up in sugar refining in Santo Domingo. I am told that the private company which operates in Santo Domingo can produce at, approximately this figure, 4.25 cents.

Suppose we strike out the current market price and say the difference between the 15-year moving average or world market price, and—we buy it at the 15-year moving average, or the market price, whichever is higher.

Mr. MANN. Well, Senator, as you know as well as anyone, there is a very deep-seated feeling on the part of developing countries that the prices they receive for their basic products continue stable, while the prices they have to pay for capital goods needed for their development are steadily rising.

This is a very strong feeling. Even as we are speaking here, there has been a meeting going on, I think, in Geneva, where the developing countries are suggesting in accordance with recommendations which some 77 nations have made that more consideration be paid to terms of trade, and specifically they are suggesting that the beet sugar forgo production increases in the northern half of the globe so that the developing countries can supply us with sugar.

Now that is one extreme which is obviously not acceptable to us.

The other extreme would be to extract from them the lowest possible price under whatever formula, and there are a number that could be worked out, none of which, I think, would be in the national interests.

Senator DOUGLAS. I spoke of a 15-year moving average and this would include the high prices of 1950 and 1951 resulting from the Korean war, high prices of 1963-64 because of the world crop failures and decreased production in Cuba. So they would get the advantage of a stable price and of a 15-year moving average, which would be about 4.2 cents.

Now, I agree that 2 cents is a hard bargain and I don't want to drive such a hard bargain. But 6.8 cents is a windfall amounting to hundreds of millions of dollars paid by American consumers and the poor use more sugar than the rich.

Mr. MANN. Senator, whatever formula we use the price to the American consumer remains the same unless the structure of the Sugar Act is altered radically.

Senator DOUGLAS. I was not proposing even that.

Mr. MANN. What you are proposing in essence is a saving in dollar exchange; it would not be passed on to the American consumer.

Senator DOUGLAS. I am starting on with a lower price to the consumer. Now you say that involves too much of a change in the act. What about an import fee which you have always opposed in the past and which you were successful in defeating in 1961, how about an import fee, this would reduce the cost to the taxpayer?

Mr. MANN. Well, Senator, I think it is perfectly possible to drive the price down. The actual——

Senator DOUGLAS. No, I am proposing to keep the price at the 15-year moving average, but that the difference between the 15-year moving average and the current market price be offset with an import fee, a corresponding import fee, and this, according to my computations will mean a saving of around $160 million a year, no small sum to the hard-pressed American taxpayers.

Mr. MANN. Senator, regarding the cost of production, I am not sure that I agree that the average cost is as low as you put it. It is, as I said in my statement, something that is very hard to be categoric about, but certainly the cost of production is between, somewhere between, 4 and 5 cents, with a consideration——

Senator DOUGLAS. I put it at 4⅕ cents.

Mr. MANN. Excuse me, sir, with a considerable number of producers producing at a price in excess of 5 cents, at least some.

Senator DOUGLAS. I would be willing to go back and take a 20-year moving average.

Mr. MANN. Yes.

Senator DOUGLAS. Which would include the high prices of the war period.

Mr. MANN. I was about to say, Senator, that the net price which the foreign producer gets for sugar in this market, as I understand it, is 5.7 cents. He gets a total of 6.8, but if you deduct from that the tariff he has to pay and the freight and the insurance he is actually getting 5.7.

I myself, think, that is not an exorbitant price to pay for sugar, the cost of producing which is somewhere between 4 and 5 cents a pound. This is what we are talking about.

Senator DOUGLAS. Well, if you gave them 4½ cents this would be a saving of $25 a ton on 2¼ million tons. It would be a saving of something over $60 million. I cannot take those figures as inconsequential. The Department of Agriculture tosses them off as only a few millions; I cannot take those figures as inconsequential.

Mr. MANN. Well, I certainly didn't say that any figure of that magnitude is inconsequential. The point is whether we should—whether it would be in the national interest——

Senator DOUGLAS. Why isn't it?

Mr. MANN (continuing). To deprive sugar-producing countries, sugar-exporting countries, of this part of their—what I would consider to be—their fair share of the purchase price in this market, which I repeat, is not any higher, and indeed is lower, than the purchase price paid for most of the sugar produced in the world by other countries.

Senator DOUGLAS. You come to their fair share, let me ask you, do you think they have these quotas as a right?

Mr. MANN. No sir.

Senator DOUGLAS. Where do they get their quotas?

Mr. MANN. We live——

Senator DOUGLAS. Do not the quotas come from the previous Cuban quota of approximately 4 million tons which has been distributed in three ways since we properly placed a boycott on Cuba; namely, some increase in domestic production, some for increased purchase from the Western Hemisphere, and some for the countries outside the Western Hemisphere? Isn't that where the Cuban quota was distributed?

Mr. MANN. Yes, sir. That is the way the Cuban quota was distributed.

Senator DOUGLAS. Now, I will come to this question in a minute because the Senator from Arkansas referred to it, but is it not true that the Congress has repeatedly warned the State Department that these quotas should not be viewed as a right, that they were merely temporary allocations which could be discontinued at any time, isn't that true?

Mr. MANN. That is correct, Senator.

Senator DOUGLAS. Yes.

Mr. MANN. That is correct.

Senator DOUGLAS. Has the State Department so warned these countries that Congress has declared this is not a right?

Mr. MANN. Yes, we have, Senator.

Senator DOUGLAS. In my travels through the Caribbean region I find that the countries assume, however, that this is a right, and that any proposal to diminish the quantities or reduce the price which they have received is treated as a violation of a contractual right which we have made with them.

Mr. MANN. I agree with the Senator completely, that trade or aid, neither one is a state of nature, but we do live in an interdependent world and we try to export, and we try to import in a way that meets our essential needs and, we hope, our national interest, and also the needs of other countries. I don't think this is a right. I don't suggest to the Senator that anybody has a right to any particular price.

Senator LONG. Senator, we are operating under the Fulbright rule.

Senator DOUGLAS. I didn't know we were—or what it is.

Senator LONG. The Senator has used up his 10 minutes. We will come back to you, Senator Douglas. You have asked some very enlightening questions and you have done a great job.

Senator FULBRIGHT. I did not suggest this rule.

Senator LONG. That's the rule on the Foreign Relations Committee. It is well that members get used to it. It is a very fine rule.

Senator FULBRIGHT. The committee follows that rule when there is a large attendance. We never do when there is a small attendance.

Senator LONG. I am sorry.

We are proud to have the chairman of the Foreign Relations Committee here.

Senator FULBRIGHT. I don't wish to stop the Senator. I made no such suggestion at all.

Senator LONG. You didn't—I did. I don't ask you to take full responsibility. I thought that's the way we operate on your committee.

Senator FULBRIGHT. When there is a large attendance we do. I have no objection to it. It's a pretty good rule under some circumstances. We normally don't have bills come before that committee of this magnitude and expect to pass on them in 1 day, with hearings that are as rapid as this one. And this is true every year

Senator LONG. We have not passed on the bill. We had one man sit here for 6 hours, Mr. Chairman, and then this man has been here for about an hour. I don't think we are in any great haste about working on the bill, even though the Congress is about to adjourn.

Senator FULBRIGHT. Mr. Secretary, your justification with regard to the developing countries might be acceptable. What about these countries that are not developing countries, such as South Africa and Australia? What justification do you have for including them?

Mr. MANN. Our normal trade policy is one of most-favored-nation nondiscrimination.

What we attempted to do, without discriminating against anyone, was to allocate quotas in accordance with exports to this market in 1963–64, and simultaneously we recommended, the administration did, that the President be given the authority to cease in whole or in part buying sugar from any particular country.

Now, in the case of South Africa, the United Nations has been considering this, as the chairman knows, and they have passed certain resolutions which we adhere to concerning the sale of arms, I believe.

We have not yet decided to levy an embargo on all exports from South Africa, and indeed we sell a great deal to South Africa, we trade with South Africa.

It may be that in the future this policy will be changed, either in the United Nations or nationally.

Senator FULBRIGHT. Well, Mr. Secretary, I do not see any analogy between a premium price, a subsidy, and normal trade.

The most-favored-nation treatment is a policy developed with regard to normal trade. It seems to me it is a false analogy to say that this also applies to handouts.

We don't do that in the aid program. We certainly pick and choose between them. And your justification all along here for this is because they are developing, and therefore they need it.

Now, you shifted to nondiscrimination.

But we have never had a principle of nondiscrimination when it comes to aid. And this is aid.

You make it equivalent to aid, a form of aid, when you are talking about developing countries.

I don't see how you can slip over and apply that to ordinary trade, which this is not.

Mr. MANN. Well, it is ordinary trade, Senator, in the sense that 90 percent of the sugar trade in the world moves in sheltered markets and at prices which are as high or higher than we pay in this market.

Now, I would say that the 90 percent is a better indicator of what is normal than the 10 percent.

Senator FULBRIGHT. I don't understand why you do not advocate that we simply increase the quota to these developing countries. It is my information that many of them will be willing to take larger quotas—they employ high-priced representatives to increase their quota. And isn't it a fact that they could supply more than these quotas—the developing countries?

Mr. MANN. I think that's correct.

Senator FULBRIGHT. Well, then, why don't we give it to them?

Mr. MANN. Most of the countries—all of the countries in the Western Hemisphere, which is the lion's share of this—we cannot really count the Philippines, because this is a treaty right, as you know—are developing countries, and the great majority of them in the Eastern Hemisphere are developing countries.

There are many African nations there. There is Taiwan, where we have a national interest, I think, in helping them to maintain their economy.

Senator FULBRIGHT. Well, we have just discontinued economic aid to Taiwan on the ground they did not need it. Now you come back and give it to them again. The AID people bragged about the fact that we could discontinue aid to Taiwan, because she has now reached the point where she does not need it.

Now you come in and say we are going to give it to them in another way.

Mr. MANN. Senator, with all due respect, I really do not think that trade in sugar is exactly the same as aid.

Senator FULBRIGHT. Well, I though that is the point you were making—this is a form of aid, that we are giving it to developing countries that need it. That is rather persuasive, because I agree most of these countries, with some exceptions, are recipients of aid, and if you are going to give them aid, it is probably a little better to give it this way than it would be a direct statement. Although I am not sure. The point that the Senator from Illinois makes is that there is very little assurance in many cases that this really reaches the economy as a whole. Perhaps they would raise their labor from 10 cents an hour to 12 cents an hour, maybe 15. But the major part of it accrues to a few very large and very wealthy producers, the ones who hire their representatives here.

But that is neither here nor there.

I am willing to go along with you on the argument that it is in the place of aid. But how you can justify it in countries like South Africa, the largest producer of gold and diamonds in the world, with certainly a favorable balance with the whole world—and who in no way needs it—Australia doesn't need it—I don't quite see why nondiscrimination can be stretched so far as to include them under the umbrella.

I was coming to this point.

Senator LONG. Might I insert this?

Would you mind providing for the record the wire you sent those South Africans that we could not get sugar, telling them that if they would provide this sugar, we would buy sugar from them in the future, and that they could count on favorable treatment from this country if they would provide us sugar when we could not get it?

Mr. MANN. Mr. Chairman, I will do that. I would like to say for the record I was in Mexico, as Ambassador, at the time this wire was sent. I personally went over and talked to the Foreign Minister and delivered the note saying in effect that if they would help us in our time of need, that this is something we would take into account.

(The telegram referred to was read into the record by Mr. Tom Murphy on p. 101.)

Senator LONG. It cost them $12 million to do that, they tell me.

Mr. MANN. And I remember that the domestic sugar industry in Mexico, which by the way is not owned by a few rich people—it is owned by many, many very small farmers—came and asked me, as Ambassador, if we were serious about this, and since I had just delivered a note on instructions, I told them we were. And they asked me if I realized that this would mean a loss to them, to the industry, the private sector, something in the neighborhood of $12 to $15 million, and I said that I did. And they sold us the sugar.

Now, I think substantially the same thing must have happened in all the other countries that exported to us at lower than the world price during the 1963–64 period.

Senator FULBRIGHT. Since we are on a time limitation—is the chairman on his own time or my time?

Senator LONG. I will give you more time.

Senator FULBRIGHT. Are you taking this out of your time?

Senator LONG. I am just trying to operate by the Fulbright rule. You call it as you see it, Senator.

Senator FULBRIGHT. I don't interrupt my members when we are on a time limitation.

Now, take this great sacrifice. Isn't it a fact that Mexico and the others, too, have already made up out of this year's allocation as much as they sacrificed? Now you are proposing to pay them 5 years, a big quota that is as much each year as they lost on that 1 year's shipments. That is not a very good business deal, if that is the reason.

But I am not quarreling about Mexico. There are special reasons about Mexico, and all these others.

What I am quarreling about is these countries who do not need it, that are as well or better off than we are—why we want to give them a big handout is beyond my comprehension.

Now, why would you object to an amendment that the recapture fee should apply to countries outside of the Western Hemisphere? Would you have an answer to that?

Mr. MANN. Senator, I could not recommend that because most of them are developing countries. South Africa plays a small part in this, comparatively.

Senator FULBRIGHT. Well, is Australia?

Mr. MANN. There are a number of African countries here. I can read them to the chairman.

Senator FULBRIGHT. I have the list. You don't need to read them all. They were gone over this morning.

But you have Fiji in here. As a matter of fact the production in Fiji belongs to a very big Australian corporation. All the benefit really will accrue to it—the same corporation that supplies much of the sugar of the Australian quota.

I have nothing against Australia. I just don't see why we should give them aid in this form. We don't give them aid in any other form.

Mr. MANN. They are one of our staunchest allies.

Senator FULBRIGHT. I know that, sure they are. And we are helping them, too. But I don't know why this is a way to pay them.

Mr. MANN. Well, Senator——

Senator FULBRIGHT. They are friends.

Mr. MANN. If you would accept my premise, which I don't think you are going to, that this is not aid, that this is trade, normal trade, the kind of trade where 90 percent of the world sugar moves in, then I think this problem would go away.

I do not accept the premise that every time we buy a pound of sugar from Australia that we are extending aid to Australia. I would rather put it that I would hate to see us pay a lower price than Europe pays, than the Sino-Soviet bloc pays, and England pays, and that all the rest of the developed countries pay. I would hate to see us adopt the price that is below what I would consider to be the world norm.

Senator FULBRIGHT. Well, put it another way. I just don't see why you include them in. Why not just confine it to the developing countries?

Mr. MANN. Simply because Australia in 1963 and 1964, the base period selected, did ship to us a certain quantity of sugar, and we did not want to discriminate against an ally which is furnishing, at considerable cost, troops and other things in the Vietnamese struggle, for example.

Senator FULBRIGHT. Well, let's get to one other subject.

On the allocation of the quota, do you prefer, do you recommend that this be a function left to the House Committee on Agriculture or the Congress, as you like, or that the executive should do this job?

Mr. MANN. On the allocation of country quotas, Mr. Chairman?

Senator FULBRIGHT. Foreign countries, yes.

Mr. MANN. I don't mind giving my opinion on this.

Senator FULBRIGHT. Well, that's what I asked for.

Mr. MANN. If it is understood that I am not trying to dilute the authority of Congress.

Senator FULBRIGHT. No, I am not very sensitive about that. I don't have anything to do with it anyway.

What's your opinion?

Mr. MANN. My opinion is that the allocation of quotas can best be made by the technicians on the basis of existing trade patterns.

Senator FULBRIGHT. In the executive branch?

Mr. MANN. In the executive branch.

Senator FULBRIGHT. Well, then——

Mr. MANN. That is my personal opinion.

Senator FULBRIGHT. Well, then would you approve of the substitute I offered which does that? It takes care of the domestic exactly as the administration bill does. Really the only difference in it is with regard to who is to allocate it, and it asks the administration to set up a permanent method for foreign allocation—hopefully this would improve the climate under which this bill arrives in Congress each year.

Do you have any objection to that procedure?

Mr. MANN. Senator, I would answer that in two parts, if I may.

As far as the present bill recommended by the administration is concerned, there is no need for that because the allocations had been made on a nondiscriminatory basis compatible with our normal commercial practices.

If the Senator is saying that for the future the Congress would like to have the executive take over his task, this is something that I would recommend to my many bosses, and they are many, as something the administration ought to support.

Senator FULBRIGHT. Well, it seems to me that is what that substitute does, because you retain your existing power to make the allocation just as you have, presumably, under that. Under that substitute you would make exactly the same ones you now make, unless in the course of the hearing you have been persuaded that some of these countries don't deserve it. But that is still your discretion. You could make precisely the same allocation you have already made. So it would not change that in any way.

Mr. MANN. We are talking about this particular provision, in a separate law, plus the bill which is before the committee, this is something that I would say, as I have already said—that I would personally support. But your bill substantially changes the administration bill, Mr. Chairman, in many ways, and among other things it defers any final action on it until some indefinite time in the future.

Senator FULBRIGHT. But the existent sugar bill runs until next December 1966. So you still have the existing authority. It does not defer anything other than the method by which you would permanently allocate it. It does not defer the allocation. You would still have the same rights you now have. Actually there is no need for a bill, except for the domestic people who have made a good case, and I don't think anybody is arguing with it—I certainly don't. And I don't see that it changes anything from the administration bill other than it gives the executive, the responsibility to develop a permanent method of allocation instead of having this kind of hassle.

Mr. MANN. Well, that feature of it, as I said, I have no trouble with. But I do think that not only should the Congress think about the needs of the domestic sugar grower, but we also ought to think about the foreign growers, and they need a bill so that they will know how to plan, what revenues they can count on when they making up their budgets, make their plans ahead, just as our people.

Senator FULBRIGHT. Maybe I don't understand it—but if we had no bill at all, it seems to me you now have authority to give them the allocation, which would be the same that you have already set out in this bill. You already done it this year.

Mr. MANN. Senator, there is a difference, I think, between the administration making an allocation for a 1-year period and Congress passing a bill for a 5-year period. This is that difference I am talking about.

Senator FULBRIGHT. Well, of course, that 5 years is what bothers us, whether or not we are doing right. I think the 5 years is the element in here which is rather unusual.

How often have we passed a 5-year bill?

Mr. MANN. Well, I think 4 and 5 years is about the standard. I am not as well acquainted with the Sugar Act as you are, Mr. Chairman.

Senator FULBRIGHT. Usually 3 years has been the longest, has it not? Five years is longer than I can remember.

Mr. MANN. I am told that, pre-Castro, the average was four, Mr. Chairman.

Senator FULBRIGHT. What——

Mr. MANN. If it would make the chairman feel better, we might be able to live with a 4-year bill.

Senator FULBRIGHT. That does not really bother me so much as this method of allocation.

But what I am trying to get at is for you to take this—and I agree with what you said about the allocation. I think the people who are in the executive who are experts on this, spend all their time on it, are betted qualified to do this. That is what we are trying to get at in this substitute.

Mr. MANN. Really, Mr. Chairman, what I think we have learned this year is that if we depart from a nondiscriminatory basis for allocating quotas, everybody has a different criterion, and you open up a Pandora's box. One person wants to eliminate because they vote one way or another in some OAS meeting. Another person wants to favor or punish because of some other act that has taken place in the past. And I think when you start down this road, picking and choosing, you get so many criteria that what you end up with is a kind of Tower of Babel, without much rhyme or reason to it. And this rule of following nondiscriminatory trade patterns, until such time as a decision has been taken, either to break relations or to break commercial relations, or to impose sanctions, or something of that kind is, I think, the most orderly way to trade.

Senator FULBRIGHT. Well, my time is up, I am informed.

Senator LONG. Senator Hartke.

Senator HARTKE. Mr. Secretary, the last paragraph of your statement deals with the problem which I was discussing with the members of the Agricultural Department—that is in regard to section 408(c). Why is the administration interested in diluting or eliminating, I should say—eliminating the authority, really, of the President to act in this field in regard to the expropriation, seizure of American property and American business in countries which are receiving preferential treatment in regard to sugar purchases?

Mr. MANN. Senator, the administration bill does not propose the elimination of the President's authority regarding the Hickenlooper-Adair amendment.

What we do propose, in lieu of this, is broad authority to the President to reduce or eliminate purchases from any country whenever he deems it in the national interest. That includes this and many other factors.

Senator HARTKE. Well, what is there objectionable to the law as it is written in section 408(c) or what is there objectionable in the provision of section 4(c) as contained on pages 28 and 29 of the House bill?

Mr. MANN. Senator, I am one of those who believe that the Hickenlooper-Adair amendment is not a bad law. I think it has been stated in enough bills where everybody understands how the Congress and how the administration and how the American people feel about confiscation of property. All we are suggesting here in this bill is that the President be given very broad authority which would include this, but not be limited to this, to buy or not to buy in accordance with his determination of what the national interest is.

Senator HARTKE. Well, why take this out of the bill? Why not just add that provision and say that the President shall have that authority? Why change it? Isn't it an elementary principal of law that it is presumed that the legislature would not do a needless thing?

Mr. MANN. Senator, it has been so long since I practiced law, you have got me on that one. I think that is a rule, one of the rules of interpreting statutes, if I remember correctly.

Senator HARTKE. Yes. In other words, it would be a presumption that something occurred—in other words, I think it would be a fair interpretation, if you took this out—it would be a fair interpretation of the law then to say it was taken out for the very specific reason that expropriation and seizure of American business and seizure of American property in any foreign nation should not be justification for suspension of the quotas. Isn't that their interpretation?

Mr. MANN. I don't think that would be interpreted that way abroad, sir.

Senator HARTKE. Well, what other purpose can there be, in other words, in taking this out? What's the reasoning? Whose recommendation is this? Is this a State Department recommendation?

Mr. MANN. The State Department recommendation made initially was that the President be given very broad authority to buy or not buy from any particular country, wherever he deemed it in the national interest. And I think the advantage of that paragraph, which is very short and very simple, over this very long, complex paragraph which could raise a lot of legal questions——

Senator HARTKE. For example, what legal question can be raised? Nationalization? I think that is a very clear term. Expropriated or otherwise seized of the ownership or control of the property or the business enterprise owned or controlled by U.S. citizens or any corporation, partnership or association not less than 50 percent beneficially owned by a U.S. citizen—is that difficult to understand? I think that is very easy to understand.

Mr. MANN. I have not studied this. I have not had a lawyer study it, Senator. All I can tell you is that the Hickenlooper-Adair amendment, which this is based on, did raise a number of legal problems.

Senator HARTKE. Now, in your statement, Mr. Secretary, you say that you want this taken out. Now, certainly there must be some reason why. You could have put it into your short written statement—it was not a long statement, it was a short statement.

Mr. MANN. Well, Senator, if I may explain my position, it is very simple.

I think there is an advantage in having a short, simple paragraph which gives great flexibility to the administration, to the President, to act whenever situations such as those described here and others occur.

Senator HARTKE. For example, what other conditions are you thinking of?

Mr. MANN. I think it is better not to try to enumerate every situation—some of which we could not possibly foresee—and spell this out out in detail. that is essentially my position.

Senator HARTKE. Do you feel that this is a complicated wording here on page 29 of H.R. 11135 where it says that if there has been been—

> violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within 6 months following the taking of action any of the above categories to take appropriate and adequate steps to remedy such situations and to discharge its obligations under

international law toward each citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated, or otherwise seized or to provide relief from such taxes, exactions, conditions, or breaches of such international agreements as the case may be,

and so forth—do you think those are complicated words? Aren't these the very things that happened in many of these nations to which we object very seriously, and as a result we have attempted in many cases to secure agreements from nations which heretofore have not given us such approval and such assurances?

Mr. MANN. Senator, I don't think that is any more complicated than a lot of other things.

Senator HARTKE. That's what I agree. I think that is very fine language. I approve of it. I would just like for you to approve of it. If you approve of it, we can end this discussion and hurry this hearing along.

Mr. MANN. You don't think as a lawyer that this phrase "violated the provisions of any bilateral or multilateral international agreement" would ever give rise to any interpretations of any kind?

Senator HARTKE. I think it might give rise to interpretations that might be all right. But I don't think it is going to give any more rise to interpretations whether or not the President makes any decision with regard to these matters, or somebody down in the State Department says this is not sufficient to impose any suspension of the quota, such as going in and appropriating our property.

Don't you think that American business has a right to expect the American flag someplace to give it some type of protection, when we are paying a premium price for their sugar, a quota—we have a whole roomful of people here looking for a quota. Maybe we can find some country that does not want to agree with that, and some other country might be willing to pick up that share.

Mr. MANN. Senator, I spent a good part of the last 23 years of my life trying to help the American investor and help collect claims. The answer to your question is that I think one of the elementary duties in the Foreign Service, one of our first duties and oldest duties, is to protect the lives and property of American citizens abroad.

We are talking now about the best way to do this.

All I am suggesting to you is that if you gave the President flexibility that would enable him in some cases to suspend instead of cut off, he could reduce it instead of eliminating it entirely, and have all kinds of room to maneuver. And I would say that it would be in our national interest to give the President that power, rather than to put him in a kind of a straitjacket.

Senator HARTKE. You think this provision puts him in a straitjacket? Let me read it to you.

The President shall suspend any quota, provision of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken.

I think that is very broad, discretionary authority given to the President. If the President makes a finding that he is satisfied that the American business interest has been protected, then it is sufficient—that would be justification for him to go ahead.

What is wrong with that type of provision?

Mr. MANN. Well, it is not as flexible as the other paragraph that I referred to, Senator.

Senator HARTKE. Well, maybe I am not as interested in having it as flexible as it has been in the past. I recall that when I went over to Nigeria, that the State Department had been negotiating for a number of years, I think they said 2½ years when I went over there, for an expropriation treaty. And I talked to the Prime Minister about that--Prime Minister Balewa. I said I was going to come back here and recommend no foreign aid be extended to Nigeria until that agreement had been signed. Before I got back here the documents had arrived and was signed before the end of the year, 1962.

Do you see anything wrong in interesting the other countries in accepting international responsibilities and abiding by agreements?

Mr. MANN. May I ask a question, Senator?

Senator HARTKE. Yes.

Mr. MANN. I have not really studied this paragraph as much as you have.

Does this say that if a country has not signed, let us say, an investment guarantee agreement it should not be able to sell any sugar to us?

Senator HARTKE. No, it doesn't mention an investment guarantee. It says if they violate any provisions of an agreement that was entered into. In other words, if we have a treaty or international agreement with them, either through a bilateral agreement or through a multilateral agreement, those treaties are to be upheld. If they violate them, this is reason for suspension.

Mr. MANN. Unfortunately my Legal Adviser is not here. I wonder if you would permit me to ask him to prepare an opinion on this and we could have it to you by tomorrow noon.

Senator HARTKE. If you can assure me he will have a favorable opinion, I will be glad to.

But let me ask you this, then—we will pass that.

Is my time up?

All right.

I took 7 minutes out of 6 hours on the last man. That's not bad.

On this question of the AID people, have you discussed this matter with AID in regard to the Alliance for Progress in any nature whatsoever?

Mr. MANN. Certainly.

Senator HARTKE. You have?

Mr. MANN. Yes, sir.

Senator HARTKE. If they say they have not, would they be wrong?

Mr. MANN. Yes, sir.

Senator HARTKE. With whom did you discuss it?

Mr. MANN. With the Coordinator of the Alliance for Progress, Mr. Vaughn, and several of his staff—my staff and his staff. I think I discussed it personally on one or more occasions with him. But certainly my staff has at great length.

Senator HARTKE. Are there any memorandums or exchanges of memorandums between the two agencies, between the State Department and the AID agency?

Mr. MANN. Senator, I don't think we make interoffice memorandums when we talk to each other. We would not get anything done if we did that. We move pretty fast over the telephone and in the corridors.

I think the Senator can assume that the AID agency is an integral part of the State Department. I attend meetings with Mr. David Bell, who is the AID Administrator, three or four times a week. We discuss all kinds of problems around the world.

I attend meetings with Mr. Vaughn, staff meetings, and we meet together.

I think the Senator can assume that we do our best to keep coordinated.

Senator HARTKE. But there are no records of such discussions.

I understand my time is expired.

Senator LONG. Senator Carlson.

Senator CARLSON. Mr. Secretary, I shall not ask many questions.

I believe you made the comment that some of these allocations were made based largely on some help that you got when there was a little sugar difficulty in world supply.

As I read the House Agriculture Committee report it says that countries which lost money by shipping to the United States in 1964 have already made it back in 1965. Yet as I read the bill, the administration bill is designed to reward these countries over and over again between now and 1971. How do you justify that?

Mr. MANN. Well, the world price of sugar over a year ago was higher than the U.S. price. Normally the U.S. price is higher than the world price.

I don't think we ought to justify buying sugar abroad solely on the basis of 1963–64. I think we have an obligation as a large market, as a developed country, to pay fair prices for primary products around the world. That is the real basis for this. And in 1963–64 quota period, we emphasized that simply because of the history that we have already been over. That had more to do with the base period that we selected than the other thing that you are talking about.

Senator CARLSON. Well, do you think that we should give them a 5-year payment, increase in quotas, based upon what they did for 1 or 2 years, rather than a shorter period of time?

Mr. MANN. Not solely on that basis, Senator, no.

Senator CARLSON. Well, I am a little concerned about some of these allegations. I notice that the administration bill gives about a 1-percent quota to France, and two of her islands.

Now, how many dollars would that be worth annually to France?

Mr. MANN. Senator, I was impressed—I don't know whether it was you or Senator Douglas who mentioned this today. I myself would make a distinction between French colonies and British colonies, the distinction being based on the practical ground that France is able to take care of its own colonies and England is having a hard time doing so.

Senator CARLSON. Well, I regret sincerely I was not here this afternoon. These are questions that I happened to think of. If these have been asked before, I regret it very much.

Mr. MANN. I would take the responsibility of saying that if this committee thinks that we should not enlarge our trade over past historical levels with French colonies on balance-of-payments grounds, and if we put it squarely on balance-of-payments grounds, I would not find that difficult.

I have not had a chance to talk with my experts about it.

I would suggest, Senator, that Jamaica, for example—although it has a preference within the British Commonwealth—has very deep, serious economic problems. And the same thing is true of British Guiana where Mr. Burnham is making a fight for freedom against great difficulties.

Largely the same thing is true of Trinidad.

These are not countries that we can realistically say can go to England or go to another member of the Commonwealth which had adequate resources to help them. And they are in our backyard.

Senator CARLSON. Well, I assume that you have discussed this and I shall not press it further—because I regret I could not be here this afternoon.

You are taking away, as I understand it, in the allocations in this administration bill quotas from the Alliance for Progress countries which we are very interested in not only supporting, but we are doing everything we can, in giving them to underdeveloped countries in Europe and Asia.

Can we justify that? What is the justification for that?

Mr. MANN. This is a political judgment. I am usually accused of favoring Latin America, Senator. The State Department collective political judgment was that southeast Asia is a battleground, and that we should not take action now which would be discriminatory against our friends and allies in that area of the world.

What we did do was to—I believe I am correct on this—what we did do was to give Latin America a larger share than some of those countries like Australia and some of the others, so that Latin America under the formula that we are proposing would be restored to its historical position in this market, within a period of about 5 years.

Senator CARLSON. Well, I will be frank with you and state that I have not studied this enough to be thoroughly familiar with it. But I think we did cut back some Latin American countries rather substantially, and they are countries that we are interested in maintaining on strong terms. And I am a little bit like the Senator from Indiana—to me this is an aid program. You may not regard it as an aid program, but for those of us who are on the Senate Foreign Relations Committee it gets to be pretty much of an aid program, and therefore I am hoping that we can at least keep in mind that, if we do not give them some trade, that we are going to have to turn to aid, and furnish aid.

Sugar is one product that personally I would like to see our domestic consumption, or production, increase on. But if we have got to give aid, let's give it to our closest neighbors first. Maybe we are taking care of them based on your statement.

I shall not press this further, Mr. Chairman.

Senator LONG. Senator McCarthy.

Senator Douglas.

Senator Williams.

Senator DOUGLAS. Mr. Mann, in previous questioning I was pointing out that the Cuban quota of some 4 million tons being redistributed to these other countries and that they were getting large bonuses as a result of this.

Now, if Cuba were to throw off the yoke of Castro and become independent, would it not be to our advantage to promise them a restoration of their former quota, or substantially their former quota?

Mr. MANN. It would be to our advantage to resume our position as the principal buyer of Cuban sugar.

Senator DOUGLAS. That would increase our purchases from Cuba. But this would mean a diminution in the quotas now assigned to these other countries.

Mr. MANN. That is correct.

Senator DOUGLAS. And therefore they would lose financially because of this—not merely in sale of tons, but they would also lose the bonuses amounting to well over a hundred million dollars which they now obtain.

Mr. MANN. That is correct, Senator.

Senator DOUGLAS. Well, now, doesn't this give them a vested interest in keeping Castro in power? If Castro is overthrown, they lose financially. As long as Castro is in power, they can get this extra amount per ton, so it is to their advantage to see that Castro is kept in power; isn't that true?

Mr. MANN. I agree with everything except the last phrase, Senator.

Senator DOUGLAS. I said to their financial advantage to keep Castro in power, so far as sugar is concerned.

Mr. MANN. Well, certainly they would presumably lose part of their sugar market in the United States if Castro——

Senator DOUGLAS. And the bonuses which they receive.

Mr. MANN. Yes, sir, they would lose their sugar trade; yes, sir.

Senator DOUGLAS. That is right.

Well, I think you may find that the simple procedure of paying the market price and treating everybody the same, has diplomatic advantages as well as economic advantages.

Now, turning from that—if I read the dispatches correctly, the United Nations on Tuesday voted to invoke sanctions against Southern Rhodesia if it declared its independence of the British Empire; isn't that true?

Mr. MANN. Senator, I assume that that is true. I am sorry to say that I did not read that.

Senator DOUGLAS. Well, I think I saw the vote was 107 to 2. I appeal to the press—if the State Department cannot inform me. Will the press inform me whether that is correct?

Mr. Steele.

Mr. STEELE. The sugar press?

Mr. DOUGLAS. No; the newspaper press. Is this true, gentlemen of the press?

Mr. STEELE. I think so.

Senator DOUGLAS. And the United States was one of the 107 countries which voted to move toward the imposition of sanctions if Southern Rhodesia became independent. And the dispatches from London as of yesterday, including Prime Minister Wilson's very eloquent statement, which you probably saw on television, that England meant to go through with the imposition of sanctions. That was accompanied by statements that the American Embassy in London was firmly supporting Great Britain.

Now, you propose to put in 9,000 tons of sugar from Southern Rhodesia. Mr. Cooley cut it down to 6,000. In this, I think he was brighter than you were. And this amounts to a bonus of around $600,000 to $700,000 a year.

Now, is this the way you reward a country which is rebelling from our best ally and probably disrupting all the affairs in Africa?

Here we are on the one hand voting for sanctions, and on the other hand we grant rewards.

Mr. MANN. May I answer, sir?

Senator DOUGLAS. Yes. I would like to see you try.

Mr. MANN. This is precisely why we have in the administration proposal a paragraph which reads as follows:

> Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph 2(a) of this subsection would be contrary to the national interests of the United States, such quota or part thereof shall be withheld or suspended and such importation shall not be permitted.

It is our interpretation of this paragraph that if the contingent action which you say the United Nations took, and which I am sure they did—I have been out of town, Senator, and not up to date—if this were to occur, and they were to vote sanctions against Southern Rhodesia, the President, if he has this authority, would be able to move very quickly in support of the United Nations resolution.

Senator DOUGLAS. Well, you see, Southern Rhodesia has never had any quota before. In the material published on pages 10 and 11 of the committee print, I find that it never furnished us any sugar. We knew pretty well from the elections in Southern Rhodesia, the election of Mr. Ian Smith, what Southern Rhodesia was likely to do but nevertheless you put them on for 9,000 tons.

Mr. MANN. Well, Senator, while it is true that Rhodesia, like other countries, did not have a country quota prior to 1962, they did share in the global quota, and did sell sugar through this market, which explains why they are there.

Senator DOUGLAS. Now, since you are very high up in the State Department, you certainly know——

Mr. MANN. Not very high, Senator.

Senator DOUGLAS. Yes, very high. You are either No. 3 or No. 4 on the totem pole. I think No. 3. In the language of the English establishment, you are very definitely in and up.

Now, you are certainly aware that General de Gaulle is demanding gold for virtually every short-term claim which he has against the United States. And also, that it is the undoubted policy of France to cause us as much trouble as they can, draw out as much of our gold as they can.

Isn't that true?

Mr. MANN. Yes, sir. Much of French—many French dollars are converted into gold claims.

Senator DOUGLAS. And yet you wanted to give the French West Indies, Guadeloupe and Martinique, 51,000 tons—Mr. Cooley cut it slightly to 43,000. And you have the Malagasy Republic, which is financially dependent upon France, for 7,500 tons. That is a total of 51,000—no, a total of 58,000 tons amounting to well over $3½ million bonus. This would go into the French banks and the Bank of France under General de Gaulle's orders would ask for gold.

This would make our balance-of-payments problem much worse.

Don't you think you had better take away those assignments to the French West Indies and to the Malagasy Republic?

Mr. MANN. Senator, I will be glad to look into this. I have already said that if the Senate, on balance-of-payments grounds, wishes to say that the French Government is able to take care of its own colonies, certainly this would apply principally to Guadeloupe and Martinique—those are colonies. The other country, the Malagasy Republic, is a Republic.

Senator DOUGLAS. Yes, I know. But it is financially dependent upon France.

Mr. MANN. It is not part of France.

Senator DOUGLAS. It is financially tied to France.

Mr. MANN. And I would question whether we should stop trading with the part of Africa which is included within the associated territories.

Senator DOUGLAS. We are giving $200 million a year in aid to the French affiliated republics of Africa. So I suppose this would only be half a million dollars more. But I don't think that should be disregarded.

Mr. MANN. The French islands in the Caribbean, I am told, have always exported sugar to this market. They are traditional exporters of sugar to this market. And we have not yet—I imagine the Senator is saying not that he wants to engage in economic warfare with France, but he wants to protect our balance of payments.

Senator DOUGLAS. Yes. Well, France is engaging in economic warfare with us.

Mr. MANN. Well, we still trade with France.

Senator DOUGLAS. Well, I know. But the French are trying to start a run on the Federal Reserve.

Do you think we should not draw any moral distinctions between countries?

Mr. MANN. Senator, I think you open up Pandora's box, as I said, if you depart from trade patterns.

Senator DOUGLAS. This is not merely trade. If it were trade at market price, that would be one thing. But it is trade on advantageous terms yielding a bonus of at least $50 a ton.

Now, I had always thought that the worst country in the Caribbean was Haiti where leader Papa Doc Duvalier has a murder gang which kills anyone whom he objects to. It is a government of terror and corruption. And at one time we cut off aid, I think, to Haiti, did we not?

Mr. MANN. Yes, sir.

Senator DOUGLAS. Do we give aid to Haiti now?

Mr. MANN. We make no concessional loans to Haiti; no, sir.

Senator DOUGLAS. And we do not make any grants to Haiti, do we?

Mr. MANN. That is correct.

Senator DOUGLAS. Yet here you wanted to give them 19,000 tons, Mr. Cooley gave them 29,000 tons, a bonus of $50 a ton. Now, I protest. You do not protest.

Mr. MANN. Senator, I am not sure of the figure.

Senator DOUGLAS. Well, it is——

Mr. MANN. On what you call the bonus. I simply note that I do not have those figures in my head.

But may I say this. I view the sugar trade as a part of overall trade.

Senator DOUGLAS. Mr. Mann, it is not quite that. Overall trade would be at market price. But here we are paying a bonus. And the American consumer is footing the bill.

The outdoor worker who has a cup of coffee in the morning to warm him so that he will not be cold, who has to put in a teaspoon of sugar, you are making him pay tribute to all these people overseas—and the poor folks out on the farm, or in the slums and the rest, who drink lots of coffee, are making these payments. The kids who eat nickel candy bars are making these payments.

Mr. MANN. Senator, I think that the only thing we don't agree on, perhaps, is whether in paying what I would consider a price below what other developed nations pay for sugar, we are in effect giving a subsidy or a bonus.

Senator DOUGLAS. Well, so far as the British are concerned, the British figure does include shipping costs. If you include these there is little or no real disparity. The French figure I am not quite certain about. So far as the Russian figure is concerned, I don't think we have to compete with them. And their initial offer to Cuba was 2¾ cents a pound instead of the some 4 cents that we were paying at the time—or 6 cents we were paying at the time. Their initial terms were much poorer than ours.

Senator FULBRIGHT. It is barter, entirely.

Senator DOUGLAS. Yes. Now, it is barter in which they give an inflated figure on what they sell. No, I don't think you need say we have to compete with the Soviet Union.

Mr. Mann——

Mr. MANN. Senator, you take sugar or any other basic product, look at the whole area of their exports to us. Prices over the last years have remained fairly stable. And the prices of exports from industrial countries, which they must buy, have gone up and up, and the disparity therefore in their income and ours is growing. Now, I doubt it is wise or in the national interest for us to continue to sell dear and buy cheap. I think everybody is entitled to a fair price, not just our farmers, but the farmers around the world, to the extent that we can do this compatible with our own national interest and our balance-of-payments situation.

Senator DOUGLAS. I am trying to recall—but I would say that we should not assume unlimited responsibility for shoring up the raw material prices of the world.

Mr. MANN. I agree with that.

Senator DOUGLAS. Now, we have differed on the coffee pool, which I think was a mistake. Now we have sugar. Very shortly in all probability we will have cocoa.

I am for assuming some responsibility—and as a concession to short-time fluctuations I am willing to take a 15- or 20-year moving average which will include the high prices of the past as well as the low prices of the present.

I don't know if it is any use for us to continue this discussion because we are on different sides. But the more we talk, Mr. Mann, the more I am convinced that transferring the power to assign quotas from Congress to the State Department would be "jumping from the frying pan into the fire."

Senator LONG. Senator Fulbright.

Senator DOUGLAS. As between the State Department and Congressman Cooley, I am for Congressman Cooley.

Senator LONG. Senator Fulbright.

Senator FULBRIGHT. Mr. Chairman, could I make an inquiry as to what the intention of the chairman is with regard to the hearings? How late is the chairman going to run?

Senator LONG. We will certainly hear the Senator. You are in charge.

Senator FULBRIGHT. No; I meant not just me. I am referring to the hearing as a whole.

Senator LONG. I hope we can hear at least one more witness. We have been sitting here since 10 o'clock this morning. The Senators worked over the first witness from 10 o'clock until about 2:30 or 3. Then we worked over Mr. Mann from then until 5:20. Now, I am perfectly content to listen to the Senator's questions and the answers.

Senator FULBRIGHT. I wasn't complaining. I was merely making inquiry what the chairman's intention is. Is he going to run to 6, 7, 8, 9 o'clock? I thought it was a fair question.

Senator LONG. Why don't we just go on for a while. I hope we will conclude with this witness, Mr. Chairman. I hope we will get through with one witness—at least with the two witnesses today. We have a whole list of them we hope to hear.

Senator FULBRIGHT. I will cooperate and won't ask him any questions. I only want to know what the plan is.

Senator LONG. We are going to go on for a while.

Senator FULBRIGHT. Well, that is all I wanted to know. Are you going to have a hearing tomorrow?

Senator LONG. Well, if we don't get through today, I would say "yes."

Senator WILLIAMS. I would suggest we make an agreement.

Senator LONG. I am not going to entertain any motion. The Senator is in charge. Go ahead and ask your questions.

Senator FULBRIGHT. I don't care to ask any more questions.

Senator LONG. Senator Hartke.

Senator HARTKE. Go ahead, Senator Williams.

Senator WILLIAMS. Yes. I have some more questions. And I am not in such a big hurry as some of the rest.

Mr. Mann, one of the persuasive arguments you have made in connection with these foreign quotas has been the fact that many of these countries came to the rescue of the United States, as you put it, when the world market price for sugar was higher.

Now, that took place in the years 1963 and 1964, is that correct?

Mr. MANN. That is correct.

Senator WILLIAMS. Now, will you furnish for the record a list of the sugar that was procured offshore during those 2 years, broken down by countries, along with an itemized breakdown of the savings to our country as a result of those purchases during those 2 years? In other words, as compared with what it would have been if we had paid the world market price, or do you happen to have such figures with you?

I don't think it would be hard to get.

Mr. MANN. I understand that Agriculture has the total figures, but not broken down country by country.

Senator WILLIAMS. Well, could you give me the total?

Mr. MURPHY. Yes, Senator. U.S. price was below the world price for about 16 months, from February 1963 to June 1964. I would say the imports during the period were about 5 million tons. Our price on an average was a cent and a half a pound below the world price. That is $30 a ton, or a total of $150 million.

Senator WILLIAMS. But you do have the figures in order to arrive at the total?

Mr. MURPHY. We will furnish you with the figures.

(The following information was subsequently submitted:)

Losses by foreign suppliers to the United States during 1963 and 1964 when world market price exceeded U.S. price for sugar (assuming all sugar sold at average price sacrifice during period, actually some was sold more advantageously and some much less so [1]

[Dollars in thousands]

Country	Quantity imported February 1963 through May 1964 (short tons raw value)	Total amount of loss during period
Argentina	234,299	$6,841
Australia	184,603	5,390
Belgium	7,462	218
Brazil	464,978	13,577
British Honduras	5,195	152
British West Indies	171,712	5,014
China, Republic of	118,383	3,457
Colombia	45,030	1,315
Costa Rica	56,820	1,659
Domincian Republic	719,937	21,022
Ecuador	51,089	1,492
El Salvador	25,408	742
Fiji Islands	48,565	1,481
France	23,242	679
French West Indies	109,416	3,195
Guatemala	69,858	2,040
Haiti	38,989	1,138
India	155,506	4,541
Ireland	9,973	291
Malagasy Republic	0	0
Mauritius	66,605	1,945
Mexico	650,442	18,993
Nicaraugua	55,852	1,631
Panama	24,519	716
Peru	430,435	12,569
Réunion	9,893	289
South Africa	135,068	3,944
Southern Rhodesia	10,589	309
Turkey	6,578	192
Venezuela	11,907	348
Subtotal	3,942,373	115,117
Philippines	1,486,711	43,412
Total	5,429,084	158,529

[1] Average per ton differential between world price and U.S. price for period February 1963 through May 1964, $29.20.

Mr. MANN. This is something I think Agriculture could do better than we.

Senator WILLIAMS. That is all right. I just did not think of it when you were there.

I would like to have that broken down by countries so that we can look it over and see just what we received in benefits from each of the respective countries involved. We can then evaluate better what weight should be put to it. The point that disturbs me is we are paying a difference, as I see it, based on the world market today of around 3 cents a pound premium, is that right?

Mr. MURPHY. At the present time it is a little over that.

Senator WILLIAMS. And we import how much annually—3½ to 4 million tons?

Mr. MURPHY. From the Philippines, we take it under treaty, but aside from that the imports from foreign countries would be 2½ million tons.

Senator WILLIAMS. That is under this quota?

Mr. MURPHY. Yes, sir.

Senator WILLIAMS. Well, now, to get back to my other question. I was speaking only of those quota countries—those countries that are affected here under the quota, because they are the only ones we are dealing with. And your $150 million includes all; is that not true?

Mr. MURPHY. Includes all of our sugar import.

Senator WILLIAMS. Well, they are not affected by this bill. What I would like to have is just how much you would have paid—we will use the various countries, Argentina, Mexico, or any of the other countries—extra from what we did pay had we bought it at the world markets during those 2 years. What I want is the exact figure because as I run it over roughly here we paid between $60 and $75 million to these quota countries, and yet under this bill the extra premium will run around $210 million a year. I am just wondering—I think as a country we should appreciate what they did, but I don't want to appreciate it too much. For $60 million savings in one period I am wondering if on a 5-year bill we can afford to pay out what I roughly figure here is around $200 million a year extra premium for these quota countries. We are paying back about a billion dollars to those countries for having saved us $60 or $75 million.

Mr. MURPHY. Senator, we will be glad to get the figures. May I just say, though, I would not assume that the world market price would be as low as it is now for 5 years.

Senator WILLIAMS. I appreciate that. I think that is true.

Mr. MURPHY. I also think that all of the imports that we got during that period were subject to savings.

Senator WILLIAMS. They would be subject to savings, but they would not be affected by the bill. What you save paid in premium to a country not included in this quota should not be charged against them.

That is the reason I am asking you to break it down by countries, with specific reference to those countries who get quotas whether under the House bill or under our bill.

Mr. MURPHY. Yes.

Senator WILLIAMS. When we find out how much we owe them in past gratitude, we can then figure out how much we are paying them in the future or how much of it is generosity.

Mr. MURPHY. We will do that, sir.

Mr. MANN. Senator, may I say one thing that I said earlier.

I do not think you were here at the time. We were talking about why we selected the base period 1963 and 1964, and we were explaining that we selected those years because, at the time of our need, we promised these countries we would take into account what they had done.

But the real question before this committee is not just that one—it is a question of whether we want a two-price system—because our farmers, for example, not only get our price, minus the tariff and minus the insurance, but they also get a very large subsidy.

Now, the question, I think, is a political moral question of whether you want to widen that gap, always taking care of our own farmers, but letting the other farmers whose incomes are much lower than ours, much lower, shift for themselves—and whether this kind of a policy is compatible overall with the national interests.

Now, this is the real question that I think we ought to face up to.

Senator WILLIAMS. Well, I agree with you that there are other factors. In your statement you pointed that out.

Mr. MANN. Yes, sir.

Senator WILLIAMS. But the reason I ask for these figures—we can understand it better if we have it reduced to figures, and we can perhaps come up with some answers ourselves as to how much weight should be added to those particular points. There is a difference of opinion at least between the House and the administration, and there may be a difference of opinion in the Senate as to how much weight that should have. That is the reason I was asking for the information.

Mr. MANN. Yes, sir.

Senator WILLIAMS. Now, if I recall correctly you endorsed the quota in the bill for Jamaica; is that correct?

Mr. MANN. Yes, sir.

Senator WILLIAMS. Have they been supplying any sugar?

Mr. MANN. Yes, sir; they are a traditional supplier. They come under the category of British West Indies. They are now independent. But in our tables they historically fall under the other classification.

Senator WILLIAMS. I see.

Now, I think—I am not sure you were asked—there is a suggestion of a provision in the House bill for a quota for the Bahamas.

Mr. MANN. Excuse me, sir.

Senator WILLIAMS. What is the position of the State Department in connection with the quota for the Bahamas?

Mr. MANN. To the Bahamas? They were not traditional suppliers.

Senator LONG. The House bill gave them 10,000 tons.

Mr. MANN. I will say again——

Senator LONG. Our bill gives them nothing.

Mr. MANN. We believe that we ought to do this according to traditional patterns of trade, and we ought to make our political judgments, not on the basis that we are considering here now, but independently of this. And the President should then cut, if he wants to. Inasmuch as the Bahamas had not exported sugar to us before, we did not include them in the administration formula.

Senator WILLIAMS. I thank you. That is all I have.

Senator LONG. I would like to take my turn just a moment.

There was something said here about the fact that Haiti had a quota. As I recall it——

Senator DOUGLAS. I said that.

Senator LONG. Well, I thought something was said about some government in Latin America—perhaps Haiti.

Now, for a number of years I sat here and heard people say that the Dominican Republic had a quota and we ought to cut off the Dominican quota, get rid of Trujillo. We got rid of him all right. Can you give me any assurance we are going to win that election between freedom and the Communists down there in the Dominican Republic?

Mr. MANN. I can give you a hope—not a guarantee.

Senator LONG. We are hopeful. But we don't have any assurance at all.

I recall somebody wanted to get rid of Batista. We got rid of Batista. What have we got—Castro. A great move toward liberal government.

Now, someone suggested that we better take a good look at Rhodesia. You have the power in the bill I introduced to cut off Rhodesia if you need to. As I understand it, where all that controversy gets at it is that they are having some difficulty with this racial integration problem. Frankly on that basis I guess you would have to cut Louisiana and Florida out of this bill.

I read in the paper the other day that they had to send a commissioner up to Chicago, Ill., where they had some of the most liberal leadership in the whole country, and cut off the money for education. So I suppose if they had a few sugarbeets, you would have to take Illinois out of the bill, because they are having some difficulty integrating the races according to Washington standards.

Then it has been said that the outdoor worker, he might save a penny a pound on sugar. We have a bill here to pay him $1.75.

Now, the way I figure that out, if he would just get out of his rocking chair for an hour he makes enough to buy 25 pounds of sugar. How long would that last him?

Mr. MANN. Quite a while, sir.

Senator LONG. If I do say it, I bought 5 pounds of sugar this year, and I am still trying to stay off that sugar. My guess is that that fellow might be confronted with the same problem.

This country is worried more about being overweight than not having enough to eat.

How much did we appropriate for the poverty program—in case we can find somebody that needs it.

Mr. MANN. I don't remember.

Senator LONG. The last time I recalled we doubled up on it. It is a large amount of money. It is well over a billion dollars.

Senator WILLIAMS. $1.6 billion.

Senator LONG. Senator Williams says 1.6 billion. Do you know of anybody that is really starving in this country right now, Mr. Mann?

Mr. MANN. I don't personally know of anyone, no, sir.

Senator LONG. If you do, let me know and we will make him a contribution.

Senator WILLIAMS. I want to thank the chairman for a good Republican speech in criticizing the administration.

Senator LONG. Senator Fulbright?

Senator FULBRIGHT. I have one other question.

Mr. Mann, you spoke of the British and the French. Did they buy all of their sugar at one price, or did they have different prices according to the origin of the sugar?

Mr. MANN. My understanding is that the French have a one-price system.

Senator FULBRIGHT. Whether it is a territory, a former territory or not?

Mr. MANN. That is my understanding.

Senator FULBRIGHT. The same with the British?

Mr. MANN. No, the British I understand buy about four-fifths of theirs at a protected price, and they buy about one-fifth, I am told, at the world price.

Senator FULBRIGHT. They don't have the principle of nondiscrimination. They don't pay everybody the same, in other words.

Mr. MANN. Apparently not.

Senator FULBRIGHT. That is all.

Senator MCCARTHY. Mr. Chairman, I just have one question here. I note from the House report that the State Department and the Department of Agriculture obtained concurrence of the House Committee on Agriculture in sending communications promising countries special consideration. Why did you not seek the concurrence of the Finance Committee of the Senate?

Mr. MANN. Senator, the reason I didn't is because I was in Mexico at the time.

Senator MCCARTHY. I am talking about the State Department now.

Mr. MANN. That I don't know, Senator.

Senator MCCARTHY. It looks to me like discrimination against the Senate. According to this you went to the House Agriculture Committee and asked their concurrence. I checked with the staff here and they tell me you did not even seek our concurrence.

Mr. MANN. Senator, I am not your best witness on this. I am the most ignorant. I just don't know.

Senator MCCARTHY. I don't want to press it.

Does the Department of Agriculture have an answer to that question?

Senator WILLIAMS. He just expressed such tremendous confidence in the Senate.

Senator LONG. Mr. Mann, if you can find the answer overnight, would you mind sending it up here?

Senator MCCARTHY. I would like the answer from the Department of Agriculture if they have an answer because we feel left out here. I used to serve on that committee in the House.

(Subsequently the Department of State furnished the information as follows:)

DEPARTMENT OF STATE,
Washington, October 15, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: Senator McCarthy asked Mr. Mann when he testified before the Senate Finance Committee on October 14 to furnish an explanation of why the Department had not sought the concurrence of the Senate Finance Committee as well as the House Committee on Agriculture regarding commitments which might be made to foreign countries as to their future sugar quotas if they supplied sugar to the United States in the years 1963 and 1964 when world prices were higher than U.S. prices.

The records of the Department of State do not show that it consulted any committee of the House or the Senate in this connection.

Sincerely yours,

DOUGLAS MACARTHUR II,
Assistant Secretary for Congressional Relations.

I have nothing further.

Senator LONG. If you can find the answer, please provide it for tomorrow. Thank you, Mr. Mann.

I place in the record a statement by Senator Thruston B. Morton, a member of the committee, who is necessarily absent on official business.

(The statement of Senator Morton follows:)

STATEMENT OF THE HONORABLE THRUSTON B. MORTON, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Little more than 4 years have passed since this administration created the much-vaunted Alliance for Progress. Throughout that period, in its public statements the administration has treated the Alliance nations as favorite children. But more often than not, in its public actions the administration has treated them as orphans.

The Alliance for Progress is rapidly becoming a string of broken promises.

Recently, the administration established a new record for breaking the promises it has made to our Alliance partners by breaking one within 24 hours.

On August 17, 1965, the President, speaking on the fourth anniversary of the establishment of the Alliance, promised that the United States would "maintain a regularly expanding market for sugar produced by Latin America." The following day he transmitted to Congress the proposed 1965 Sugar Act which would do just the opposite.

It would reduce the Alliance for Progress nations' share of the foreign sugar quota from 77.8 percent in the 1962 act to 63.8 percent. This means a reduction of over 600,000 tons per year in sugar exports by Alliance nations to the United States.

Even if this reduction represented a net savings to the United States, one would wonder whether the administration was justified in breaking its promise. But the reduction does not represent a savings. Far from it. The very same bill proposes to reallocate much of the sugar trade the Alliance nations would lose to protectorates of France, which at this very moment is trying to aggravate our balance-of-payments problem and scarcely needs to be handed even more dollars, or to British Commonwealth nations which enjoy preferential treatment in sugar exports to Britain and cannot pretend that they need the trade bonus offered by the administration.

Whatever may be said about the administration's aid program, one thing is clear beyond argument. When the United States has an opportunity, without cost to itself, to provide much needed trade opportunities to the underdeveloped countires of Latin America, it should not take these opportunities away from Latin America and give them to countries that are under the wing of Britain or France. To do so makes a mockery of the Alliance.

The administration's bill is the result of the administration using a computer, rather than its head or its heart, to allocate foreign sugar quotas. The quotas are the product of a proposal by the Department of Agriculture—to which the President appears to have assigned major foreign policy responsibilities that might just as rationally be assigned to the Post Office Department—that foreign sugar allocations be based on 1963-64 sugar shipments to the United States.

These were years of utter chaos in our sugar program, aptly described by the House Committee on Agriculture as the "two most unusual and abnormal years in the history of the U.S. sugar program." While I am no expert in the use of computers, it seems reasonable to presume that if you feed abnormal data into a computer you obtain an abnormal formula. That, to put it mildly, describes the administration's formula.

Furthermore, the concept of the administration's bill that nations should be rewarded or punished for their willingness or lack of willingness to export sugar to the United States in 1964, when our price was lower than the world price, ignores the fact that these rewards and punishments have already been meted out. Sugar quotas in 1965 have been based on 1964 performance. South Africa, for example has made twice as much on sugar exports to the United States this year as it lost in 1964. Other countries have earned similarly disproportionate rewards.

And the Latin American nations which the administration would punish have already been punished. Many of these nations have had substantially reduced quotas in 1965 and are faced with rising unemployment in their sugar industries. We have a stake in helping these countries hold the line against communism and one wonders whether the Department of Agriculture, by taking action designed to increase unemployment in Latin America and thus strengthening the hands of the Communists, is punishing just Latin America or the United States as well.

Indeed, one wonders whether the various departments ever consult each other in this administration. Not long ago Secretary of State Rusk observed that the 1964 world sugar crisis played a major part in the Dominican uprising. Yet the Department of Agriculture proposes to perpetuate that crisis and spread it through Latin America.

The sugar bill passed by the House would allocate to the Alliance for Progress nations 100,000 more tons of sugar annually than would the administration's bill. It is therefore an improvement over the administration's bill but one which lacks any consistent logic. In several instances, quotas are apparently allocated by whim rather than on the basis of any consistent rationale.

I propose an amendment to the House bill that gives the Congress the opportunity to make good on the administration's August 17, 1965, promise. I propose the amendment with the firm belief that we indeed should make good on that promise. And I submit that the allocation of foreign quotas in my amendment has logic to commend it as the House bill has not.

My amendment would not change the domestic industry quotas proposed by the administration and included in the House bill. It also leaves unchanged the Philippine quota established in the House bill. For other foreign quotas it substitutes a formula based on the 1962 Sugar Act.

The quotas established in the 1962 act reflected historic sugar shipments. They were, by and large, fair quotas. To the extent there is any discernible thread in the history of sugar shipments since 1962, it is a thread spun by the 1962 act. In short, as the House Committee on Agriculture suggested, 1962 sugar quotas provide the only reasonable basis for assigning quotas in 1965.

With a few exceptions my amendment is based on the assignment to each country of its 1962 quota percentage. In addition, the amendment adopts the House proposal that the Cuban quota be reduced from 57.77 to 44.25 percent. That change makes sense for it would reduce somewhat the disparity between the quota available for Cuba when it again becomes a friendly nation and the quotas for the rest of Latin America. But where the House bill distributes these 13 percentage points harum-scarum, my amendment would reallocate them to the Alliance for Progress nations based solely on their relative quotas in the 1962 act. There is no reason why the 13 points shaved from Cuba's quota should be given to nations outside the Western Hemisphere, particularly since most of the non-Western Hemisphere countries listed in the House bill have preferential markets other than the United States. Nor is there any reason to allocate any of the 13 Cuban points to non-Alliance countries in the Western Hemisphere, every one of which can sell sugar to Britain or France at a price virtually equal to the U.S. price. And there is every reason why the 13 Cuban points should be given to our Alliance partners as my amendment would do. In sum, my amendment would allocate over 300,000 more tons of sugar annually to the Alliance nations than would the administration's bill and 175,000 more tons than the House bill.

The only exceptions to reliance on the 1962 act in the amendment I have introduced are the allocation of quotas to countries which were not in the 1962 act but have developed a record of sugar exports to the United States since that date and were included in the administration's bill: Venezuela, Argentina, Mauritius, Switzerland, Southern Rhodesia, and Malagasy. For the first two countries I have proposed the quota percentages contained in the administration's bill; for the last four I have used the percentages in the House bill which are practically the same as those in the administration's bill. Furthermore, in recognition of the increased importance of Bolivia and Honduras in Latin America, and of Thailand in southeast Asia, my amendment would allocate to these countries the yearly quotas allocated to them under the House bill, even though these countries have not previously exported sugar to the United States.

This country has a deep and permanent stake in the Alliance for Progress. Many of the Alliance nations have developed democratic governments and free enterprise economies in the face of stiff and growing Communist opposition.

We have an opportunity in the 1965 Sugar Act to assist those countries. Our alternative is to assist those who do not need our help. Furthermore, in this act we can render assistance to the Alliance nations without additional cost to ourselves. I fear that if we do not seize upon this opportunity we will pay dearly in the years ahead.

Senator LONG. I place in the record a letter which the chairman has received from the Honorable Milward L. Simpson, U.S. Senator from Wyoming.

(The letter follows:)

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
October 15, 1965.

HON. HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I am greatly concerned and anxious that the Senate act upon H.R. 11135, the House-passed "sugar bill." As a cosponsor of the sugar bill that was introduced in the Senate, I have taken a special interest in seeing that domestic producers' quotas are increased so that we can make the proper allowances for those faithful farmers, across our land, who have done all they can to increase their production to meet the growing demands for sugar. When several of our foreign suppliers failed to meet our demands, the Government asked our beet sugar industry to increase its production. Our Wyoming sugarbeet growers, who produce some of the finest sugar in the Nation, responded to the requests of our Government officials and increased their production in 1963 some 42 percent over 1962 levels. This increase amounted to nearly 700,000 hundredweight of refined sugar. This additional production could only come about with additional capital outlays for equipment, machinery, and other expenditures on the part of our beet farmers in Wyoming and, of course, across the Nation.

Unless this legislation, which would increase the beet sugar marketing quota, is passed, our Wyoming beet growers will be required to take a 18-percent cut in acreage this year and further reductions in following years. Mr. Chairman, it is important that we permit our own farmers to produce a sugar supply which can be depended upon by our American consumers at all times.

It is my understanding that there are hundreds of thousands of tons of refined sugar which have been produced by American farmers that under present law cannot be marketed. It is important that we permit this sugar to be marketed before we allow the foreign suppliers to fill the quotas.

Because sugarbeets are extremely important to the economy of Wyoming and the Nation, I urge you and the committee to report the bill, S. 2567, as introduced.

Warmest personal regards.

Sincerely,

MILWARD L. SIMPSON, *U.S. Senator.*

Senator LONG. I place in the record a letter from Senator Quentin N. Burdick advocating the adoption of an amendment to authorize the Secretary of Agriculture to redistribute unused domestic beet sugar acres resulting from closed plants to new areas. The committee will give consideration to Senator Burdick's proposed amendment.

(The letter and amendment follow:)

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
October 14, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed for your consideration is an amendment that I propose to the sugar legislation now pending before your committee.

The amendment I offer will, if adopted, fill a need not now provided for in the pending sugar legislation. It proposes to authorize the Secretary of Agriculture to redistribute unused domestic beetsugar acres resulting from closed plants to new acres. The amendment would limit the Secretary's authority to do so until such time as the amount of unused acres reaches 50,000 or more short tons of beet sugar. In other words, the pool could not be distributed until it reached 50,000 or more short tons and the total national acreage requirement was not less than 1,375,000 acres. The Secretary would, however, during this period be permitted to allocate these unused acres to old growers until such time as the pool reached its prescribed level.

Mr. Chairman, I respectfully urge your consideration of the enclosed amendment.

Sincerely,

QUENTIN N. BURDICK.

On page 27 after line 7 insert the following:

"(6) Subsection (b) is amended by adding a new paragraph (10) as follows:

" '(10) In the event any plant or factory that processed the 1964 crop of sugarbeets ceases processing sugarbeets or any crop thereafter, the Secretary is authorized to determine the total acres of production history for farms or farm operators relating to acreage of the sugarbeet crop delivered to and last processed by such plant or factory, and which was not used for sugarbeet production of the immediately following crop. Whenever the Secretary estimates that the total accumulated acreage of production history so determined by him in regard to all such plants or factories and translated into acres of proportionate shares under current or most recent regulations for establishing farm proportionate shares, would produce 50,000 short tons of sugar, raw value, he shall reserve such estimated total amount of acreage from each of the national sugarbeet acreage requirements for each of three successive crops: *Provided*, That the national sugarbeet acreage requirement for the first such crop is not less than 1,375,000 acres. The Secretary shall distribute the acreage so reserved for each of such three successive crops on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocation for establishing farm proportionate shares determined by him, on condition that the sugarbeets produced on such farms shall be delivered for each of such three consecutive crop years to the new processing facility in the locality to which reserve acreage is committee as hereafter provided. The Secretary shall commit the acreage so reserved estimated by him to yield 50,000 tons of sugar, raw value, for each of the three consecutive crop years to the locality determined by him to receive the reserve, and such commitment shall be irrevocable upon issuance of the determination of such commitment by publication in the Federal Register, except that if the Secretary finds in any case that construction of the sugarbeet processing facility has not proceeded in substantial accordance with the representations made to him as a basis for his determination of commitment of the reserve acreage, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining commitment of the reserve acreage and if proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year or succeeding years, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the lack of proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets and the relative qualifications of localities under such criteria. The commitment of reserve acreage shall be determined by the Secretary after investigation, the publication of notice, and such informal public hearings, if any, as the Secretary deems appropriate under the prevailing circumstances.' "

Senator LONG. We are pleased to have the distinguished chairman of the Senate Agriculture Committee, Senator Allen J. Ellender, as our next witness.

STATEMENT OF HON. ALLEN J. ELLENDER, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator ELLENDER. I was pleased to learn that, as in the past, all segments of our sugar industry were able to adjust most of their differences and present a united front in their advocacy of new sugar legislation. It would be very difficult, if not impossible, for the Congress to draft equitable legislation unless the representatives of our domestic sugar industry came into substantial agreement among themselves.

I note that the members of the House Committee on Agriculture, in their report accompanying H.R. 11135, expressed their appreciation for the efforts made within our sugar industry to reach an almost unanimous opinion. I am well aware of the difficult negotiations that have been in progress over many months in the past between the representatives of the industry, and the Departments of Agriculture, State, and to some extent, the Treasury. The resulting recommendations and legislation represent a compromise, but a workable one. It is my hope and expectation that the Sugar Act Amendments of 1965 will prove beneficial to our housewives and industrial users, our planters of both beet and cane, our processors and refiners, and our friends abroad.

The question of our foreign suppliers represents the most controversial issue in the legislation now before us. This is something of a left-handed compliment to the efforts of the many conflicting domestic interests to come into agreement, and to the successful workings of the Sugar Act since its inception in 1934. If I have one main criticism of the legislation now before us, it is that no firm and final formula is contained in the bill which would place the question of foreign quota allocations on a realistic basis. It seems to me that if such a provision could be agreed upon by the Congress, it would have the effect of silencing much of the emotional and sometimes irrational criticism which this issue evokes from time to time.

As a Senator from Louisiana, I represent in part the largest cane producing area in the continental United States. Louisiana's Third Congressional District has rightly been called the Nation's sugar bowl, and my home town of Houma, in Terrebonne Parish, is located not far from the center of the area's heaviest production. I know full well how important the Nation's sugar supply is to my friends and neighbors at home, for I remember the conditions that prevailed before the first Sugar Act was placed on the statute books in 1934. As a consequence of our ill-advised policy prior to that time, our cane producers were in an untenable position of not knowing what markets and conditions would be from one year to the next. In fact, that condition prevailed throughout the entire domestic industry. There was no economic security for the growers, the refiners, or the thousands of workers in the fields and mills.

Our experiences since then provide ample justification for an extension of the Sugar Act. This is not to say that all our difficulties have been completely solved, for that is by no means the case. But an adequate and dependable supply of sugar has been provided our consumers at a reasonable cost. The situations we experienced during World Wars I and II present a graphic illustration of this case. During the First World War, the price of sugar skyrocketed, but through the second period of conflict prices remained at reasonable levels. Other Government policies may have helped maintain this stable condition, but the fact is that on several occasions since 1945, sugar prices have increased exorbitantly in other countries of the world while remaining stable here under the protection of the Sugar Act.

Turning to the pending bill's particulars, I am greatly interested in the quota it contains for our domestic sugar producers. As one of the sponsors of similar legislation in the Senate, together with Senator Long of Louisiana and a number of other Senators, I believe that the domestic quotas provided are well justified. As a matter of fact, I believe these quotas might be further increased.

H.R. 11135 contains increases in quotas for both the domestic beet sugar area and the mainland cane producers. Those increases have been recommended by the domestic sugar groups and by the executive branch. It is of utmost importance that the Congress grant these quota increases this year. Both areas have substantial carryovers of sugar which were accumulated as a result of an expansion of acreage and processing facilities, encouraged by the executive branch at a time of worldwide scarcity of sugar. The increases in quota were needed last year but were not granted, and are needed even more now.

The proposed increases are modest in comparison with the need. For example, the 1,100,000-ton quota proposed for the mainland cane sugar area is less than that area's production of sugar in 1963, less than the production in 1964 and less than the anticipated production from the 1965 crop. The proposed quota will not allow an expansion of acreage or processing facilities, but on the contrary, it is possible that a further acreage reduction will have to be made during the life of this legislation. The mainland cane area has already made a 14-percent acreage reduction this year as compared to last year. The quota proposed for the beet area will not allow an acreage increase and that area, too, has already made an acreage reduction and faces further reduction next year.

Although I believe the question of quota increases has been worked out more or less satisfactorily and represents a reasonable compromise, I am particularly concerned about some of the other provisions of H.R. 11135 as passed by the House. One of these provisions would establish allotment and acreage reserves to take care of hardship cases. The Secretary of Agriculture now has adequate authority to take care of hardship cases. The language in H.R. 11135 singles out certain corporations for special treatment, and in my opinion would actually prevent the Secretary from making a fair distribution of allotment and acreage. I strongly recommend that all of the language pertaining to the reserves be deleted by the Senate.

Another provision of H.R. 11135 makes provision for a new sugarcane processing facility. In my opinion, the restrictions under which the established sugarcane processors will have to operate during the life of the act makes it unwise to make special provisions for a new processing facility which is obviously not needed.

The House deleted from the administration-backed bill which was introduced in the House the language which would specifically authorize the Secretary of Agriculture to establish quarterly quotas in the first half of each calendar year. I strongly recommend that this committee include such language in the bill it will report. This, in my opinion, is necessary to assure stable sugar prices in the first half of the year.

I express the hope that the bill will be reported for Senate action without delay. Congress should not adjourn until satisfactory sugar legislation is enacted.

Senator LONG. Thank you for giving this committee the benefit of your opinion of this legislation.

We are happy to have as our next witness, the Honorable Stuart Symington, Senator from the State of Missouri.

STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Mr. Chairman, the domestic cane and beet sugar industries will not supply the appproximately 10 million tons of sugar the United States will consume this year.

Under the terms of an industry-Government agreement, arrived at this summer, a ceiling of 3,025,000 tons annually has been placed on mainland beet sugar marketings; and one of 1,100,000 tons anually on mainland cane. Both agreements were for 5 years.

No new cane or beet sugar growers will be admitted to the U.S. domestic sugar industry.

No new beet sugar mills will be built for half a decade.

Any farmer who has never grown but who desires to grow sugarbeets instead of corn or soybeans will now have to wait at least 5 years, because the U.S. sugar industry—refineries, processors, and producers—have all agreed to certain annual production ceilings.

Even if the Congress now refuses to ratify this agreement, there is little reason to believe that the domestic industry, with the influence around of the major refineries, is in a position to build new mills in new production areas.

Until 1970 at the least, therefore, it looks as if American sugar suppliers will be assigned to the following sources: Domestic beet sugar, 30 percent; mainland cane sugar, 11 percent; Hawaii, 11.1 percent; Puerto Rico, 11.4 percent; Virgin Islands, .0015 percent; Philippines, 11 percent; and other foreign sources, 25.35 percent.

Actual deliveries are bound to deviate from these assigned percentages because in recent years Puerto Rico, Hawaii, and the Virgin Islands have been producing some 1,900,000 tons per year instead of their assigned 2,260,000 tons. Realistically, therefore, we will probably be importing about 40 percent—or some 4 million tons—of our total sugar requirements from the Philippines and other foreign exporters.

And it is with respect to this 40 percent that I present these few remarks today.

Four million tons of sugar is a lot of sugar; and when it is bought at American refinery prices, it is also a lot of dollars—almost $450 million. This is the amount of dollars—or gold—which will leave the United States and be placed abroad, primarily in foreign central banks, every 12 months for 5 years.

Is it not important, therefore, for us to consider carefully where we purchase these 4 million tons so that we assure American consumers a steady inflow of sugar, but do not burden ourselves with a steady outflow of gold?

If these dollar purchases of sugar are to be allocated by statutory quotas to specific countries, one of the primary criteria in selecting each country should be: How many dollars will the country in question spend for U.S. goods and services in return? Otherwise, if we are not prudent, we will be building into our imports, by act of Congress, a further serious imbalance with respect to our already serious balance-of-payments problem.

The administration took this problem into account when they formulated their 1965 sugar bill proposal. After allocating 1,050,000 tons to the Philippines in accordance with our treaty with that country, each foreign applicant was measured primarily on the factual answers to the following questions:

1. Are you an established and reliable sugar-exporting country?
2. Did you supply sugar to the United States during the world-wide sugar shortage of 1963 and 1964 in accordance with your capacity to supply and your exisitng U.S. quota?
3. Are you a good customer for U.S. goods and services?

These are three fundamental criteria which give the current sugar quota recommendations of the administration a sound foundation, one which should not be taken lightly by the Congress.

Nevertheless, we are now presented with a bill, H.R. 11135, to amend and extend the provisions of the Sugar Act of 1948. This latter bill completely ignores the recommendations of the administration.

I have the utmost respect for the distinguished committee which drafted this bill, but it is clear that if we are to allocate sugar imports on sound criteria, the quotas proposed by the administration serve the needs and purposes of the people of the United States far better than do the quotas in H.R. 11135.

As but one example, the administration would give market preference to Western Hemisphere countries, but distribute the quotas within the hemisphere so as to give in turn special consideration to (1) countries which made a real effort to supply the United States during the worldwide sugar shortage; and (2) countries which buy more goods and services from the United States than the United States buys from them.

H.R. 11135, however, reshuffled the quotas for Western Hemisphere exporters as recommended by the administration. In doing so, the bill provides more for 14 countries and less for 6 countries. Of the 14 which obtain increases, 6 have a balance-of-trade picture unfavorable to the United States—including 2 which have a most unfavorable balance: $148 million in 1 case, and $360 million in the other.

Of the six countries which get less than the administration's recommendation, five have a balance-of-trade picture favorable to the United States (the sixth is the Dominican Republic); and two of the countries whose quotas were reduced—Mexico and Argentina—have trade balances very favorable to the United States: $419 million and $150 million, in dollar trade, respectively.

Nor does H.R. 11135 confine its quota reshuffling to the Western Hemisphere countries. The bill provides lower quotas, totaling some 160,000 tons less than those recommended by the administration, for 12 countries outside the Western Hemisphere; and at the same time adds some 20,000 tons for a new supplier, a country which has never sold a pound of sugar to the United States before—Thailand.

These 12 countries whose quotas were reduced so drastically have historically bought more goods and services from the United States than we have bought from them, individually and collectively. One is Australia, a nation which buys 2½ times as much from the United States as we buy from them—and, as we know, Australia is fighting side by side with us in Vietnam.

Furthermore, 10 of these 12 countries outside the Western Hemisphere supplied sugar to us far in excess of their statutory quota commitments during the shortage of 1963 and 1964. But H.R. 11135 would give them the dubious reward of drastically reduced quotas.

Frankly, I am at a total loss as to how these quotas in H.R. 11135 were determined. They are not based on performance, or a country's proved ability to supply; and emphatically they are not based on trade balances, because certain countries which are already draining off the gold that is becoming ever more important to the security and prosperity of the United States have nevertheless been given larger quotas than the administration recommended, while countries which are buying more from the United States than we buy from them are given lesser quotas.

Mr. Chairman, it is clear this bill—H.R. 11135—should be corrected. I believe, in all fairness, that the Senate should substitute the administration's recommended quotas for the quotas provided by the other body, because the administration quotas are well reasoned and based on sound criteria. The administration has carefully weighed the influence this legislation will have on sugar supplies, and our relations with other countries, and the impact on our balance of payments.

We will all agree that one of the first objectives is to protect the American housewife from sugar rationing and high-priced sugar. This the administration bill accomplishes by dispersing our sources of supply among many reliable sugar exporting countries, so that, if and when supplies from one supplier are interrupted by subversion, sabotage, or invasion of a particular country, there will be other suppliers to fill the breach and keep sugar flowing to the United States.

Another objective is to rely on those suppliers who have proved, under emergency conditions, that they would make a special effort to supply the U.S. market. This objective is met by the administration bill, which bases quotas on past performance when exporters could have made far more money by selling to markets other than the United States.

H.R. 11135, however, lends no weight to performance during these shortage years.

A third objective should be to buy sugar from countries which have historically bought and are now buying more goods and services from us than we buy from them. This the administration bill does. This H.R. 11135 does not.

Therefore, Mr. Chairman, based on the foregoing facts, I respectfully urge my colleagues to substitute the administration bill for H.R. 11135, and to insist in conference on the Senate position.

Senator LONG. Thank you very much, Senator Symington.

We welcome as our next witness, the Honorable Milton R. Young, Senator from the State of North Dakota.

STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator YOUNG. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you in support of legislation extending the Sugar Act.

I am most pleased that the Senate now has before it a bill which would authorize a 5-year extension of the Sugar Act. The task of rewriting and extending sugar legislation would have been far less difficult if the Department of Agriculture had submitted its proposals much earlier to the House Agriculture Committee where this legislation must originate. I fully appreciate the problem which this committee faces in considering sugar legislation in the closing days of this session. This is a highly complex subject and one over which there certainly are many divergent views.

I believe it goes without saying that the Sugar Act has been one of the most successful of our farm programs. Over the years it has provided domestic producers of sugar, both cane and beet, with a fair price for their sugar, and it has also assured the consumers of adequate supplies at a very reasonable price. In addition, the program has resulted in a net profit to the Federal Government through excise taxes and tariff duties.

I am very pleased that the pending legislation does provide for an increase in the basic marketing quota for domestic cane and beet sugar producers. This will enable these producers to dispose of the inventories accumulated in excess of their marketing quotas under the old act which were built up in response to the Secretary of Agriculture's urging of greatly expanded production commencing in 1962 to offset an international sugar shortage. The domestic industry responded admirably and to the extent that they accumulated stocks beyond their marketing quota.

Unfortunately the increase in quotas for our domestic producers, although sufficient to take care of accumulated stocks, will not provide for any additional acreage for new growers or for new areas and new sugar refineries.

There are many areas of the United States which are most capable of producing sugar economically. I think it is most important that the U.S. quota be high enough to permit some acreage over the term of the act to be allocated to new growers and new areas.

Earlier this week the Senate adopted the conference report on the Food and Agriculture Act of 1965 which contains a huge land retirement program. In my opinion, it hardly makes sense to embark upon a huge land retirement program which will cost a billion dollars a year and, at the same time, import about one-half of our sugar requirements a good deal of which could be produced in this country on acreage otherwise either devoted to the production of crops which may be in surplus, or on acreage which the Federal Government otherwise would be spending huge sums of money to retire from production of all commodities. I know of no other country in the world which would take similar action in making possible substantial imports of a commodity which its farmers could produce economically.

As I have mentioned to this committee in years past, the Red River Valley of North Dakota and Minnesota is ideally suited to the production of sugarbeets. The producers in this area are most desirous of increasing their production and there are thousands of additional farmers who are extremely anxious to have an opportunity to commence production of this crop. This area has sufficient rainfall to produce beets in dryland farming and has the type of soil and level land which facilitates large-scale mechanized production. It should also be pointed out that in this area, 1 year prior to planting sugarbeets, the producer must summer-fallow the land on which he proposes to plant beets. This, in effect, means that it requires 2 acres to produce 1 acre of sugarbeets. Any acreage planted to beets, in most cases, therefore, would relieve the production of crops that are in surplus. Sugarbeet production, in addition, furnishes employment for a sizable number of people in the cultivation, harvest, and refining of beets. Considerable employment is also furnished through the great amount of expensive machinery required for the production of sugarbeets.

In view of the unsettled international situation, I would hope that we could reach a point where we could, to a much greater degree, rely upon our domestic sugar industry to meet our requirements. This can be done by increasing the allocations given to the domestic sugar industry. I hope that it will be possible for this committee to approve a much greater allocation for our domestic producers—both cane and beet producers. I believe this would be in the best overall interests of the Nation.

Senator LONG. Thank you very much, Senator Young.

We are pleased to have as our next witness the Honorable Daniel K. Inouye, Senator from the State of Hawaii.

STATEMENT OF HON. DANIEL K. INOUYE, A U.S. SENATOR FROM THE STATE OF HAWAII

Senator INOUYE. I am pleased to associate myself with those urging that the Finance Committee report the sugar bill in the form proposed by the administration (S. 2567).

This is a good bill. I am convinced that it will continue the sugar program of this country on a highly satisfactory basis. It has regard for the maintenance of a healthy domestic industry, for the continuance of stability of price and supply, and for the fostering of trade with friendly foreign nations with emphasis on that with our Latin American neighbors.

I have followed the development of this particular legislation for almost 2 years. Recognizing the highly competitive and even recriminatory situation which existed among the various segments of our domestic industry last year I was one of those who urged these dissident groups to make an all out effort to reconcile their differences, and, together with the executive departments, to come forward with a program which all could support before Congress. S. 2567 is the result of these months of hard work. It is a program arrived at in good faith, not completely satisfactory to any segment of the industry, but unanimously backed by all. It recognizes the needs of the continental producers to reduce present unmanageable inventory surpluses. It recognized the necessity, over a period of years, of restoring the delicate balance which characterizes the domestic provisions of the act. It restores the insulation from the so-called world market—so necessary for the stability of supplies. It continues, and even enhances, the guarantees to the consumers that sugar will always be available in the quantities needed and at fair and reasonable prices.

I understand that an effort may be made to merely effectuate the domestic quota provisions of this program now—and study the rest, for action next year. Gentlemen, this legislation has had exhaustive study this year. The bill before you is not a new program. Our sugar program has worked exceedingly well for about 30 years. This bill continues that program with such amendments as have been shown to be necessary to provide an even more effective operation and administration. The opportunity to extend this program at this time must not be lost. I am sincerely convinced that any deferment of this legislation, even for a period of a few months, will seriously jeopardize the program.

I reiterate—this is a good program; it is a sound program in all respects. I urge its favorable consideration by this committee.

Senator LONG. Thank you very much, Senator Inouye.

Our next witness is Senator Joseph M. Montoya, U.S. Senator from New Mexico.

STATEMENT OF HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM NEW MEXICO

Senator MONTOYA. Mr. Chairman, in recent years, a vast amount of interest has been demonstrated by New Mexico farmers in sugarbeets. This enthusiasm, and that of groups from other States wanting to grow the crop, resulted in the Congress, in 1962, making special provision under the Sugar Act for beet sugar factories in new areas.

Specifically, the Congress amended the Sugar Act authorizing the Secretary of Agriculture to set aside 65,000 acres each year for the operation of new beet sugar factories. Six new factories have now been constructed; however, H.R. 11135 does not contain a provision continuing this authorization.

The State of New Mexico meets the criteria of the 1962 amendment, and has the resources and manpower available to immediately expand acreage allotments for the growing of sugarbeets sufficient to support the construction of a sugar processing plant.

Farm income in New Mexico has declined and the need for an additional cash crop is vital. New Mexico needs an acreage allotment of at least 25,000 acres to support such a factory and to bring our farm income more in line with the national average.

Since New Mexico's farm income decline percentagewise has been the largest in the Nation, it is readily apparent why 15 of the 32 counties are depressed areas, and why 1 of 5 operators of its family-size farms must have outside employment to support his family.

I believe that we should be permitted to produce a greater quantity of our own sugar so that we would not be subjected to the whims of foreign producers.

The Food and Agriculture Act of 1965 provides for the long-term diversion of land currently being used for the production of surplus crops to protective conservation uses. I feel very deeply that a portion of this diverted land should be utilized by increasing acreage allotments of sugarbeets, thus greatly assisting in the improvement of our domestic economy. By decreasing our imports, this added acreage would not create a market surplus.

We owe it to the American sugarbeet farmer to provide legislation guidelines that will guarantee him a greater share of the American sugar market. There is a vital need for a substantial increase in the sugarbeet marketing quota so that this industry can continue to thrive and contribute to the sound economic health of the Western States.

I, therefore, respectfully request the committee to give serious consideration to amending H.R. 11135 by adding provisions for a portion of the land diverted under the Food and Agriculture Act of 1965 to be allocated for the growing of sugarbeets and for the continuation of the authorization for the Secretary of Agriculture to set aside 65,000 acres each year for the operation of new beet sugar factories.

Senator LONG. Thank you very much, Senator Montoya.

We are pleased to have as our next witness the Resident Commissioner of Puerto Rico, the Honorable Santiago Polanco-Abreu.

STATEMENT OF HON. SANTIAGO POLANCO-ABREU, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. POLANCO-ABREU. Mr. Chairman and members of the committee, as I said in my statement to the House Agriculture Committee when the sugar bill was in the House of Representatives, the application of the Sugar Act is important to Puerto Rico, as it is to all the other U.S. sugar-producing areas. For this reason, I support the extension of this workable and effective basic legislation and also support the 1965 amendments of H.R. 11135 as introduced in the House. Enactment of these provisions will ease the marketing problems of some of our sister areas and continue supply and price protection to domestic consumers.

The Sugar Act and the stability which it brings to the sugar industry are fundamental to the welfare of thousands of Puerto Rican families. Sugar continues to be a major source of income for the people of Puerto Rico.

The hurricane of 1956, which was followed by an unprecedented drought, reduced the 1956–57 sugar crop to 8.7 million tons of cane. During the following 4-year spell of especially bad harvesting conditions, efforts were made to recover from this temporary setback. With the help of the Commonwealth government, large investments are made annually to mechanize industry, to replant old ratoons, and to apply modern techniques. Thus, by 1962–63, an output of more than 10 million tons of cane was once again reached.

In recent years, Puerto Rico has suffered, with most other parts of the world, an unexplained reduction in the perecentage yield of sugar from sugarcane, and during the past 2 years, severe drought conditions again struck the island. Wetter weather in recent months indicates a probable turn in the long cycle of rainfall deficiency. While it is too early to estimate our production for 1966, I can tell you that present prospects are for a substantial increase over the unusually low 1955 level. We certainly will not be back to the level of production prior to 1957, but I think we will be able to regain some of the ground that we lost during the past 8 years.

The amendments to the Sugar Act provided by H.R. 11135 will give Puerto Rico a period in which to recover her lost production levels. I want to assure the committee that the Commonwealth government, the University of Puerto Rico, and the industry itself are lending every effort to restore our sugar production to the quota level to insure a dependable supply for the United States. H.R. 11135 will provide us with that opportunity.

In closing, I should like to say that while the bill before the committee has our general support and meets with our general satisfaction, we regret that we are still under severe quota limitations for direct consumption sugar. Puerto Rico has not enjoyed any substantial increase in its refined sugar quota in 30 years, since 1934. On behalf of our people, I want to express the hope that the next sugar bill before the Congress will deal with this problem and that this committee will, at the first opportunity, consider a substantial increase in the refined sugar quota for Puert Rico.

Senator LONG. Thank you very much Mr. Commissioner.

We are happy to have the Agricultural Counselor of the Argentine Embassy, Mr. Enrique G. Valente, as our next witness.

STATEMENT OF ENRIQUE G. VALENTE, AGRICULTURAL COUNSELOR OF THE ARGINTINE EMBASSEY

Mr. VALENTE. The administration's bill established a quota for Argentina of 1.19 percent of the total imports, excluding Philippines. The Agricultural Committee of the House of Representatives reduced this percentage to 0.53 percent.

This reduction means that the 63,685-ton proposed allotment by the administration has been reduced to 21,485 tons.

As in 1962 through unforeseen circumstances Argentina is discriminated against in the process of enacting the sugar legislation, becoming the only country in the Western Hemisphere whose proposed allotment was reduced by the House and furthermore in a very substantial measure.

We have referred to the enactment of the 1962 Sugar Act because on that occasion the Senate, through very clear and comforting statements by Senators Holland, Long, Ellender, McClellan, Moss, Clark, Humphrey, and Fulbright reached a decision which repaired the omission of Argentina in the conference report.

The Senators' statements as registered in the Congressional Record of July 2, 1962, stressed the need to put Argentina on an equal footing with the other countries of the Western Hemisphere and called the attention to the fact that Argentina had used no lobby whatsoever, presenting, instead, her case through the normal channels of her Embassy in Washington.

Argentina is not using lobbies again, and her views are being made available to the Congress and the administration of the United States through her Embassy.

Argentina honored the confidence expressed by the U.S. Congress in the amendment of the Honey Bee Act by fulfilling her quota of the second semester of 1962 and by increasing her deliveries to the U.S. market by 11½ times her quota of 1963 at a time when the price in the international market was moving upward beyond control.

Our quota for 1963 was of 20,000 tons and our exports to the United States reached 230,000 tons in what it was then considered as a major contribution to check the skyrocketing trend in prices which were causing many of the countries holding quotas to withdraw from the U.S. market to take full advantage of the price situation elsewhere.

In 1964 and 1965 Argentina fulfilled her quotas satisfactorily.

The performance of Argentina since the enactment of the Honey Bee Act in 1962 has been acknowledged with satisfaction by the officials of the administration responsible for the sugar supplies of the U.S. market and is reflected in the almost 66,000 tons allotted to Argentina in 1965 and the 63,685 proposed for the new bill by the administration.

Argentina requested a quota of 100,000 tons to be included in the new legislation. This quantity falls within the normal surpluses of the Argentina sugar production and does not imply any increase in the traditional sugar production of Argentina.

The pattern of the domestic market in Argentina differs substantially from the typical exporting developing countries, since in our case the same absorbs around 85 percent of the total production and pays a higher price than the international market. The level of the domestic consumer price in Argentina is similar to the U.S. domestic price.

The structure of sugar production is also a different one; the outstanding feature being the existence of over 30,000 independent farmers growing sugarcane.

In the light of the above considerations we want to point out that Argentina is seeking to increase her participation in the U.S. market basically to improve the balance of payments of the country and not to better the lot of a few privileged sugar barons.

This request is intended to contribute to mitigate the high imbalance of trade between Argentina and the United States whose deficits against Argentina have accumulated to 1.1 billion in the last 5 years.

This trade deficit being the outstanding factor of disequilibrium of the external sector of Argentine economy jeopardizing any efforts undertaken by her Government or sought by inter-American cooperation to achieve a sustained economic development and political and social stability.

In accordance with the above-mentioned reasons, Argentina hopes that the bill as approved by the Committee on Agriculture of the House be modified to provide her with a quota consistent with her past performance, her production, the particular situation of the balance of trade between Argentina and the United States and the principles of equity in the economic relations between the United States and the rest of the countries of the Western Hemisphere.

Argentine exports to and imports from the United States of America (1960–64)

[Millions of dollars]

Year	Exports	Imports	Balance
1960	90.5	327.5	−237.0
1961	83.8	383.2	−299.5
1962	88.8	398.8	−310.0
1963	150.0	241.6	−91.6
1964	90.5	255.4	−164.9
Total	503.6	1,606.5	−1,103.0
5-year balances (1948–62):			
1948–52	863	1,027	−164
1953–57	675	865	−190
1958–62	562	1,621	−1,059
5-year averages (1948–62):			
1948–52	173	205	
1953–57	135	173	
1958–62	112	324	

Source: U.S. Department of Commerce, Bureau of the Census.

The tables above make evident that the balance of trade between Argentina and the United States is increasingly deteriorating in detriment of Argentina. This situation is a major factor in the Argentine balance-of-payments disequilibrium.

It must be pointed out that Argentine imports from the United States exceeded the exports to this country by $1.1 billion in the period 1960–64, amount approximately equal to the value of Argentine total exports in 1 year.

Senator LONG. Thank you Mr. Valente. Your statement will be given full consideration by the committee.

We are pleased to have as our next witness, Mr. Frank A. Kemp, appearing on behalf of the domestic industry.

STATEMENT OF FRANK A. KEMP, REPRESENTING ALL SEGMENTS OF THE DOMESTIC SUGAR PRODUCING AND REFINING INDUSTRIES

Mr. KEMP. Chairman Long, my name is Frank A. Kemp. I live in Colorado. I have been in the beet sugar industry since 1923. For the last 30 years I have been president of one of the beet sugar trusts.

Now, I have filed, and I think each member of the committee has before you, a statement of about 10 pages. I think to save the committee's time the statement can be printed in the record as if read.

I would like also to hand to the reporter to be included at the end of my statement a copy of the organizations for whom I appear. They are, I think, with one small exception all of the organized growers and processors of the U.S. beet sugar industry, the whole mainland sugarcane industry, the Hawaiian sugarcane industry, the Puerto Rican sugarcane industry ,and the U.S. cane sugar refineries.

Senator WILLIAMS. The statement and the list will be printed in the record at this point.

(The statement and list referred to follow:)

STATEMENT OF FRANK A. KEMP, ON BEHALF OF ALL SEGMENTS OF THE DOMESTIC SUGAR PRODUCING AND REFINING INDUSTRIES

Chairman Byrd and members of the committee, I would like to suggest, Mr. Chairman, that I first present a brief statement and then attempt to answer any questions which the committee may have. If this is agreeable with the committee, I will proceed on this basis.

My name is Frank A. Kemp. My home is in Colorado. I have been in the sugar industry since 1923. Since 1936 I have been president of the Great Western Sugar Co., one of the sugarbeet processors. I am a trustee of the United States Beet Sugar Association and a member of the legislative committee of the established growers and processors of sugarbeets in the United States.

I appear here today representing the domestic sugar industry, which is made up of five industry groups, as follows:

(1) The sugarbeet growers and processors, with plants and production in 21 States, who together comprise the established U.S. beet sugar industry;

(2) The sugarcane growers and processors of the continental United States, whose lands and mills are in Louisiana and Florida;

(3) The Hawaiian Sugar Planters' Association, which represents the sugar producers in our 50th State;

(4) The Association of Sugar Producers of Puerto Rico; and

(5) The U.S. Cane Sugar Refiners' Association, whose members have refineries and other installations in 12 States from Massachusetts and Illinois to Texas and California.

With your permission, Mr. Chairman, I should like the full list of the organizations for whom I speak inserted at the conclusion of my remarks. A copy of this list is attached to my statement which has been given to each member of the committee.

Last year, the domestic industry was divided. In consequence, the Congress did not extend and amend the Sugar Act. Government officials and various Members of the Congress told the industry that it must reconcile its differences;

and develop a common legislative recommendation. We were again told the same thing early this year.

This was a difficult assignment. The needs of the various segments of the industry differ greatly and the competitive forces between them are intense. However, recognizing the great need for legislative relief and following the advice given it, the industry initiated a series of conferences to consider the legislative problems confronting it.

After many weeks of intense and sometimes better discussion, after considerable give and take, after much soul searching on the part of every segment, the domestic industry, on March 24, finally evolved a legislative recommendation for presentation to this session of Congress. We discussed this proposal first with various Members of Congress, and then presented it to the Department of Agriculture, the Department of State and other interested executive agencies, so that there could then be submitted to Congress an administrative recommendation which would have been considered and found appropriate and would be endorsed and supported not only by the entire established domestic sugar industry but also by all of the executive agencies concerned with this commodity from one angle or another. After intensive discussions with all groups concerned, the executive branch developed the recommendation which is now before this committee as S. 2567. H.R. 11135 which passed the House and is now before the committee contains most of the domestic provisions of the administration's sugar program. Later on I will discuss the major differences.

I should like to stress the significance and importance of these facts. This committee knows from its experiences not only with sugar legislation but with legislation affecting other matters that the problem of deciding on a proper course has often been made more difficult by conflicting views and opinions as to what should be done on the part of those directly concerned and at times by differences in the points of view of the various Government agencies involved.

That all of the groups concerned, both industry and Government, as a consequence of 9 months of consideration and discussion have presented a single recommendation is a fact of persuasive and compelling importance and I believe, of great advantage to this committee. In fact, it is something of a miracle in legislative history to be given great weight in any determination of the national interest.

I am pleased now to inform the committee that each of the groups for which I appear completely supports the administration's recommendations. However, as we pointed out in hearings before the House Agriculture Committee, the division of foreign quotas among the various suppliers did not enter into any of the discussions between the industry and the executive branch. We agree with the broad principle that such division should be made on some formula approach.

The sugar program we have recommended takes account of the problems and business necessities of each of the domestic sugar groups. For example, and without any attempt fully to describe the bill, it includes provisions to protect, over a period of years, the integrity of the raw sugar supplies needed by the U.S. cane sugar refiners; it fixes quotas for each of the domestic producing areas through 1971 at a level which will permit the two continental areas gradually to dispose of surpluses in an orderly manner; it is designed to restore substantially the domestic-foreign balance by the end of its term; under defined conditions it gives the Secretary authority to put foreign raw sugar under quarterly quotas during the first half of a year, and thus protect domestic producers.

Each of these and the many other provisions of the industry-administration program is part of a structure which cannot stand if any important part is removed. Senator Fulbright's amendment cuts out the bulk of the industry program retaining only one basic feature and that for only a limited time.

While the domestic sugar industry has not participated in and takes no position on the size of quotas assigned to specific foreign countries, we do believe that these quotas, whatever they may be, should be established by Congress and not by the executive branch. Whatever the difficulties the legislative process may present, we prefer it to the suggested alternative.

The industry-administration program which was developed this year is a most remarkable and valuable achievement. I sincerely doubt if there would be any chance of repeating it next year. The Fulbright amendment would destroy the opportunity we now have to put into law a sugar program for a term of years backed by the entire domestic sugar industry and by the administration.

While the Sugar Act is designed to afford protection to the domestic industry, it also has the important purpose of providing supplies for consumers at fair and reasonable prices. The stability of these supplies is an integral part of the sugar program. To achieve these objectives it is necessary to give all segments of the industry guidelines by which they can operate for a period of years. Not to do so would certainly set the stage for price-and-supply instability.

S. 2567 has been very ably discussed in detail by the spokesmen for the administration. A point-by-point analysis of the bill, with which we also concur, has been furnished you.

As you know, the Sugar Act has been amended or extended 13 times. These have included numerous extensions of several years' duration, such as that incorporated in S. 2567. Because of circumstances prevailing at this time, the term of the extension of the act is basic to the entire agreement.

Only under the term proposed can the following be accomplished:

(1) Surplus beet and mainland cane sugar be disposed of as rapidly as possible, consistent with orderly marketing;

(2) Excessive acreage cutbacks in the beet and mainland cane areas be avoided; and

(3) Refiner and import volume be gradually restored to approximately the same proportion as exists under present law.

If the amended act is not extended through 1971, these three basic objectives cannot be achieved. We concur with Secretary Schnittker's statement that "the recommended term of the extension and the market sharing proposal are integral parts of a single plan."

The proposal in S. 2567 would set the marketing quotas for the mainland cane and domestic beet industries at about the estimated levels they would reach by 1971 under the 1962 Sugar Act Amendments. This would enable the refiners and foreign suppliers to approximate their present positions by the end of the term of this extension. For this reason, any expiration date short of that recommended would jeopardize the united industry support for the bill.

While the House bill incorporates most of the recommendations of the industry and the administration, there are several differences between it and S. 2567. The House bill fails to provide specific authority for the Department of Agriculture to limit importations of raw sugar during the first two quarters of any calendar year. In many foreign producing areas, there is limited storage and an urgent need for dollars, and producers at times tend to rush sugar to market early in the year. Quite obviously if this rushing to market takes place in any substantial volume, it has a depressing effect on prices, making it difficult for the Secretary of Agriculture to achieve the price objective set forth in section 201 of the act. We earnestly hope, therefore, that the Senate will restore this authority.

As Secretary Schnittker indicated in his statement, the House-passed bill includes special privileges with respect to both the allotment of mainland sugarcane and sugarbeet crop acreages and the allotment of sugar marketing rights in the two areas. Since the Secretary indicated the nature of these provisions providing for special treatment for certain classes of farmers and processors in these areas, I shall not take the time of the committee to describe them here. However, on behalf of all segments for which I appear, I should like to emphasize that we strongly support the administration in its view that the acreage allotment and sugar marketing provisions of the Sugar Act as now written provide the Secretary with sufficient discretion to formulate fair and equitable regulations without the amendments contained in the House-passed bill.

It also contains a provision which authorizes the Secretary to reserve, after 1966 and after the consumption estimate reaches 10,400,000 tons, up to 25,000 tons of mainland cane area quota and accompanying acreage for one new cane sugar mill. The existing industry in the mainland cane area already has taken sizable acreage cuts. We believe it highly unjust, therefore, further to penalize the existing industry in Louisiana and Florida by providing that the first 25,000 tons of growth for that area after the fixed-quota period is over go to a new facility.

The domestic sugar industry supports the position of the President and the administration in opposing an import fee.

A brief history of the domestic industry's position with respect to an import fee is in order. The import fee was introduced into the Sugar Act by the 1962 amendments, which authorized such fees on an experimental basis for the years 1962 through 1964. In October of 1964, in explaining that no fees would be imposed during 1965, the Department of Agriculture publicly announced it would ask for authority to reestablish import fees beginning in 1966.

In our efforts to work out a sugar program which all elements of the sugar industry could support, we felt it necessary to take account of the announced Government position. After much discussion, which included the airing of honest differences within the domestic industry, it was agreed to support a program which included an import fee limited to a maximum of 50 percent of the difference between the world price and the domestic price objective, or 1 cent a pound, whichever was smaller.

In late July, when it became clear that there was some question within the administration regarding its position on the import fee, and considering the industry's concern that further delay by the administration in sending its recommendations to the Congress would greatly jeopardize the chances for sugar legislation in 1965, the industry advised the Government that it would support any downward modification of its initial fee position which the President thought was in the national interest.

Subsequently, the President determined that such a fee was inadvisable. On August 17, 1965, in a meeting with the Latin American ambassadors, he announced: "I will propose today that Congress eliminate the special import fee on sugar, so the full price of sugar will get to the Latin American producers."

The domestic sugar industry immediately agreed to support the President in this decision, and does so today.

Another point which I wish to make is the necessity of action on this measure before the Congress adjourns. For the effective operation of the sugar program and for the smooth transition from the existing law to the terms of this bill, many of the changes must become effective for the current calendar year.

I am confident the members of this committee realize that failure to achieve sugar legislation this year would so further aggravate frictions within the industry as to make it practically certain that the industry would be unable to achieve unanimity next year. For the good of the sugar program of this country, this must not be allowed to happen.

A final point on this legislation is added protection given by it to consumers. This is accomplished in several ways:

(1) The bill assigns temporary country-by-country quotas representing the amount retained for Cuba. The industry believes this change will contribute to stability and assurance of adequate sugar supplies.

(2) S. 2567 provides penalties against the quotas of foreign countries which do not maintain sufficient reserves for the U.S. market to assure that they will be able to supply their proportionate part of any increase in their quotas. This is accomplished by reducing, in following years, the amount of their quota to the extent of the shortfall. This will encourage foreign suppliers to carry higher inventories and will be added insurance to U.S. consumers that their sugar needs will be met.

(3) Both domestic beet and mainland cane areas will carry larger inventories than they have in the past.

(4) The term of extension recommended in the legislation means that both domestic and foreign suppliers can plan their future production on a businesslike basis. Stability of supply, and therefore stability of price, will be enhanced by the term recommended in the bill.

Mr. Chairman, throughout its history the sugar program has been an outstanding success. All elements of the industry share the conviction that the provisions of this bill, as they stand, will enable the sugar program to operate in the national interest more effectively and equitably than in the recent past. We believe the sugar program, as it would operate under the provisions of this bill, will give foreign suppliers greater assurance of their substantial share of the U.S. market, will permit domestic producers to market their existing surpluses in an orderly manner and, most of all, will insure adequate supplies at stable and reasonable prices for the benefit of American sugar consumers.

I hand the reporter a full list of the orangizations for whom I speak and ask that it be included as the conclusion of my statement.

Mr. Chairman and members of this committee, I am grateful for the consideration you have always accorded the domestic sugar industry. On behalf of all the people I represent, I express deep appreciation.

List of organizations for whom Frank A. Kemp appeared:

U.S. Sugarbeet Industry

Alma Sugarbeet Growers, Inc.
The Amalgamated Sugar Co.
American Crystal Sugar Co.
Ark Valley Beet Growers Association.
The Big Horn Basin Beet Growers Association.
Blissfield Beet Growers Association.

Buckeye Sugarbeet Growers Association.
California Beet Growers Association, Ltd.
Caro Sugarbeet Growers, Inc.
Central Nebraska Beet Growers Association.
Croswell Sugarbeet Growers Association.
Findlay District Beet Growers Association.
Finger Lakes Sugarbeet Growers Association.
Fremont Beet Growers Association.
Goshen County Cooperative Beet Growers Association.
The Great Western Sugar Co.
Gunnison Sugar, Inc.
Holly Sugar Corp.
Idaho Sugarbeet Growers Association.
Layton Sugar Co.
Lower Snake River Sugarbeet Growers Association.
Michigan Sugar Co.
Monitor Sugarbeet Growers, Inc.
Monitor Sugar Division of Robert Gage Coal Co.
Montana-Wyoming Geet Growers Association.
The Mountain States Beet Growers Marketing Association of Colorado.
The Mountain States Beet Growers Marketing Association of Montana.
The Nebraska Non-Stock Cooperative Beet Growers Association.
Northern Ohio Sugar Co.
Northwest Nebraska Beet Growers Association.
Nyssa-Nampa District Beet Growers Association.
Red River Valley Sugarbeet Growers Association.
Saginaw Sugarbeet Growers, Inc.
Sebewaing Sugarbeet Growers Association, Inc.
Southern Colorado Beet Growers Association.
Spreckels Sugar Co.
Utah Sugar Division, Consolidated Foods Corp.
Utah-Idaho Sugar Co.
Utah Sugarbeet Growers Association.
Washington Sugarbeet Growers Association.
The Western Colorado Beet Growers Marketing Association.
Western Montana Beet Growers Association.

MAINLAND SUGARCANE INDUSTRY

American Sugarcane League of the United States, representing more than 5,000 growers and 40 processors.
Florida Sugarcane League, representing the 11.
Florida sugar mills and the sugarcane growers in Florida.

HAWAIIAN SUGARCANE INDUSTRY

Hawaiian Sugar Planters' Association.

PUERTO RICAN SUGARCANE INDUSTRY

Association of Sugar Producers of Puerto Rico.
Antonio Roig, Sucesores, S. en C.
Azucarera Cayey, Inc.
Central Aguirre Sugar Co.
Central Coloso, Inc.
Central Eureka, Inc.
Central Igualdad, Inc.
Central Mercedita, Inc.
Central Monserrate, Inc.
Central San Francisco.
Compania Azucarera del Camuy, Inc.
Cooperativa Azucarera Los Canos.
C. Brewer Puerto Rico, Inc.
Plata Sugar Co.
Soller Sugar Co., Inc.
South Puerto Rico Sugar Corp.

U.S. CANE SUGAR REFINING INDUSTRY

U.S. Cane Sugar Refiners' Association.
American Sugar Co.
J. Aron & Co., Inc.
California & Hawaiian Sugar Refining Corp.
Henderson Sugar Refinery, Inc.
Imperial Sugar Co.
Refined Syrups & Sugars, Inc.
Revere Sugar Refinery.
Savannah Sugar Refining Corp.
The South Coast Corp.
SuCrest Corp.

Mr. KEMP. Senator, I think in an effort to save the committee's time—and I admire your strength and stamina—I will let you read that statement.

Senator CARLSON. Mr. Chairman, I just want to say this. Mr. Kemp is not only an authority on this beet sugar operation, he is one of the outstanding citizens of the Middle West, coming from the neighboring State of Colorado, and we are very proud of the fine service he has rendered all these years. I assure you that any statement he made today, although he has not read it to the committee, is one worthy of consideration.

Mr. KEMP. Senator Carlson, thank you so much.

Senator LONG. Senator Douglas, any questions?

Senator DOUGLAS. I would just like to ask the chairman this question: Is there anyone representing the consumers or the taxpayers here today?

Mr. KEMP. Yes, I think I do, sir—because I don't think anyone in the sugar business has ever forgotten the prime interest of the consumer, whose trade, whose patronage keeps us alive.

Senator DOUGLAS. That is an indirect interest, not a direct interest.

Senator WILLIAMS. As I understand it, Mr. Kemp, in your statement I notice you are the president of the Great Western Sugar Co., is that correct?

Mr. KEMP. That is correct.

Senator WILLIAMS. You have been primarily engaged in the processing industry?

Mr. KEMP. Entirely. We buy beets under contract from farmers.

Senator WILLIAMS. Yes, I understand that.

Are you speaking in representation of the processors or more of the growers?

Mr. KEMP. No, I speak for both.

Senator WILLIAMS. For both?

Mr. KEMP. Yes.

Senator WILLIAMS. I see.

Mr. KEMP. If you look at this list, you will see the names of several dozen growers associations scattered throughout this list.

Senator WILLIAMS. Yes.

Senator LONG. Senator Carlson?

Senator CARLSON. No questions.

Senator LONG. Senator Fulbright?

Senator FULBRIGHT. No questions.

Senator LONG. Thank you very much.

Our next witness is Mr. John C. Lynn, appearing in behalf of the American Farm Bureau Federation. Mr. Lynn is accompanied by Mr. Marvin L. McLain.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR

Mr. LYNN. We appreciate the opportunity to present our recommendations with respect to legislation to amend and extend the Sugar Act.

Farm Bureau's membership includes sugar producers in all domestic areas except the Virgin Islands.

Our basic policy on sugar is set forth in a resolution adopted by the elected voting delegates of our member State organizations at our last annual meeting, as follows:

> We support the Sugar Act as a means of dealing with problems peculiar to the sugar industry and urge its administration on the basis of protecting the interests of domestic producers. The primary provisions of this act relate to the use of quotas to regulate the marketing of domestic and imported sugar.
>
> The production of sugar has increased dramatically in the mainland cane and beet areas in recent years as the result of legislation authorizing acreage allocations to new beet areas, a sharp rise in sugar prices, and the Secretary of Agriculture's suspension of acreage restrictions for the protection of consumers.
>
> The Government has a moral responsibility to permit the marketing of the overquota sugar that has been produced in response to Government actions and at the same time to avoid undue depression of sugar prices. Basic quotas should be adjusted to accommodate the expanded productive capacity of the mainland cane and beet areas, and a larger share of the future growth in sugar consumption should be reserved for domestic producers.

The mainland cane and beet sectors of the sugar industry are in a serious surplus position as a result of governmental actions and inactions which have resulted in the expansion of production without a corresponding increase in marketing allocations.

Under legislation enacted in 1962, the Department of Agriculture made acreage allocations for new plants and the expansion of old plants which eventually will produce an estimated 325,000 tons of beet sugar annually.

Summary of allocations from the national sugarbeet acreage reserve

Location	Acres	Estimated production	Effective with crop year	Cumulative estimate of sugar production from such allocations
		Short tons		*Short tons*
California (Fresno, Kings, Madera, and Tulare Counties)	19,000	45,700	1963	45,700
Texas Panhandle area	22,230	50,000	1964	95,700
Curry County, N. Mex.	2,500			
Idaho	8,140	18,020	1964	113,720
East-central Michigan	4,030	6,850	1964	120,570
Ohio	2,415	4,430	1964	125,000
Central New York (8 counties)	29,500	50,000	1965	175,000
Northern Red River Valley of Minnesota and North Dakota	31,000	50,000	1965	225,000
Aroostook County, Maine	33,000	50,000	1966	275,000
Arizona	20,000	50,000	1966	325,000

In 1963, the Department of Agriculture was panicked by a sharp, but temporary, rise in world sugar prices. Fearful that it would be blamed for an increase in the prices paid by consumers, the Department suspended acreage restrictions on the 1963 mainland cane crop, announced that there would be no acreage restrictions on the 1964 cane crop, and also promised that beet acreage would not be restricted in 1964 or 1965.

The Department's desire to expand the capacity of the domestic sugar industry is well illustrated by the following quotation from a statement made by former Under Secretary Charles S. Murphy, before the Consumer Affairs Subcommittee of the House Banking and Currency Committee on June 5, 1963:

> All controls on domestic sugar production have been removed. There have been no governmental controls on production in Puerto Rico, Hawaii, or the Virgin Islands in recent years and there have been none in the domestic sugarbeet area since 1960. We have also announced that there will be no such controls in the domestic sugarbeet areas in 1964 and 1965. In the mainland sugarcane area, 1963 crop acreage was originally established at the level of 1962 acreage, which for Florida reflected a 100-percent increase over the 1961 acreage. Early in May, it was announced that the 1964 crop would be unrestricted and that the 1963 restrictions were removed.
>
> The only restrictions on domestic sugarbeet and mainland cane production, therefore, are those resulting from a limitation of processing capacity. *One of the major objectives of the Department in announcing that restrictions would not be imposed on sugarbeet production in 1964 and 1965 was to encourage the modernization and expansion of existing factories and the enlargement of factories now under construction.* [Emphasis added.]

The suspension of controls in a period of rising prices stimulated an increase in sugar production that apparently took the Department's experts completely by surprise. In a 1964 speech before the California Beet Growers Association, Tom O. Murphy, Director of the Agricultural Stabilization and Conservation Service sugar policy staff, admitted that:

> The desire of farmers in the United States to grow sugarbeets is startling, even to those in the Department of Agriculture who felt that they were pretty well up on this sort of thing.

The extent to which sugar production has been increased in recent years in the mainland cane and beet areas is indicated by the following table:

Mainland U.S. production of sugarcane, sugarbeets, and sugar

[Acres and tons in thousands]

Crop of—	Sugarcane for sugar			Sugarbeets		
	Acres harvested for sugar	Production		Acres harvested	Production	
		Cane (tons)	Sugar (tons) [1]		Beets (tons)	Sugar (tons) [1]
1958	253	6,172	578	895	15,254	2,214
1959	298	6,844	615	897	16,757	2,308
1960	304	7,137	630	962	16,619	2,475
1961	333	9,154	858	1,091	17,927	2,431
1962	368	9,365	852	1,101	18,236	2,595
1963	485	13,000	1,183	1,248	23,400	3,086
1964	547	13,822	1,147	1,394	23,368	3,284
1965	[2] 498	[2] 14,320	----------	[3] 1,265	[3] 21,850	[3] 3,060
Percentage increase:						
1958 to 1964	116.2	123.9	98.4	55.8	53.2	48.3
1960 to 1964	79.9	93.7	82.1	44.9	40.6	32.7

[1] Raw value.
[2] Sept. 1 indicated production and acreage for harvest for sugar and seed.
[3] Sept. 1 indicated production and acreage for harvest.

Source: "Sugar Statistics and Related Data," Statistical Bulletin No. 244 and "Crop Production," June and September 1965.

The quotas available to the mainland cane and beet areas have not been increased to accommodate the increased production of sugar made possible by the suspension of acreage restrictions, and the commitment of future acreage allocations to new beet areas. On the contrary, as the following table shows, quotas have been reduced as production increased. This reflects the fact that unusual conditions made it necessary for the Secretary of Agriculture to set the 1963 estimate of domestic requirements at a level that was well above actual consumption, and also the fact that the initial quota announcements for both 1964 and 1965 contemplated further legislation.

Sugar quotas and production

[Tons, raw value]

	Estimate of total requirements	Mainland cane quota	Beet quota	Total mainland cane and beet
1963	10,400,000	1,009,873	[1] 2,990,127	4,000,000
1964	9,800,000	911,410	2,698,590	3,610,000
1965 (Sept. 22)	9,300,000	895,000	2,650,000	3,545,000
Production from 1964 crop		1,147,000	3,284,000	4,431,000
Excess of 1964 production over current quota		252,000	634,000	886,000
1964 production as a percentage of current quota		128.2	123.9	125

[1] The beet area was unable to market its full quota in 1963. The final 1963 beet quota after adjustment for deficits was 2,698,590 tons.

The inevitable result of increasing production and declining quotas has been a sharp increase in stocks.

Stocks of sugar held by beet producers and mainland cane processors, Jan. 1, 1963–65

[Short tons, raw value]

As of Jan. 1—	Beet processors	Mainland cane processors
1963	1,368,426	11,938
1964	1,025,166	45,258
1965	1,696,231	151,823

Acreage restrictions were imposed on the 1965 crops in both the mainland cane and beet areas, despite earlier USDA promises that the 1965 beet crop would not be restricted.

Since the administration of the sugar program in recent years has encouraged an expansion of the acreage devoted to sugarcane and beets along with the construction of new processing capacity, we think that the Government has a moral obligation to bring the basic quotas for the mainland cane and beet areas into line with their enlarged productive capacity. This can be done in a relatively short time without reducing existing allocations to foreign countries; however, it should be recognized that other countries have no vested right to the full amount of their current allocations.

We are not a party to the so-called industry consensus which would grant the mainland cane and beet areas "one shot" increases totaling 580,000 tons and suspend the operation of the growth formula until total consumption reaches 10.4 million tons. This approach would ease the existing situation, but it would mean further acreage cuts for producers.

Despite the buildup that has occurred in sugar stocks, the proposed quotas are substantially below 1964 production levels. They apparently are also insufficient to prevent a further buildup in sugar stocks even though the 1965 crop has been reduced by acreage restrictions.

It should also be noted that the acreage allocations made to new areas from the national sugarbeet acreage reserve will not be fully effective until next year. Representatives of the beet-processing industry made a strong case last year for an increase of 750,000 tons, which is exactly twice the increase now proposed for the beet quota.

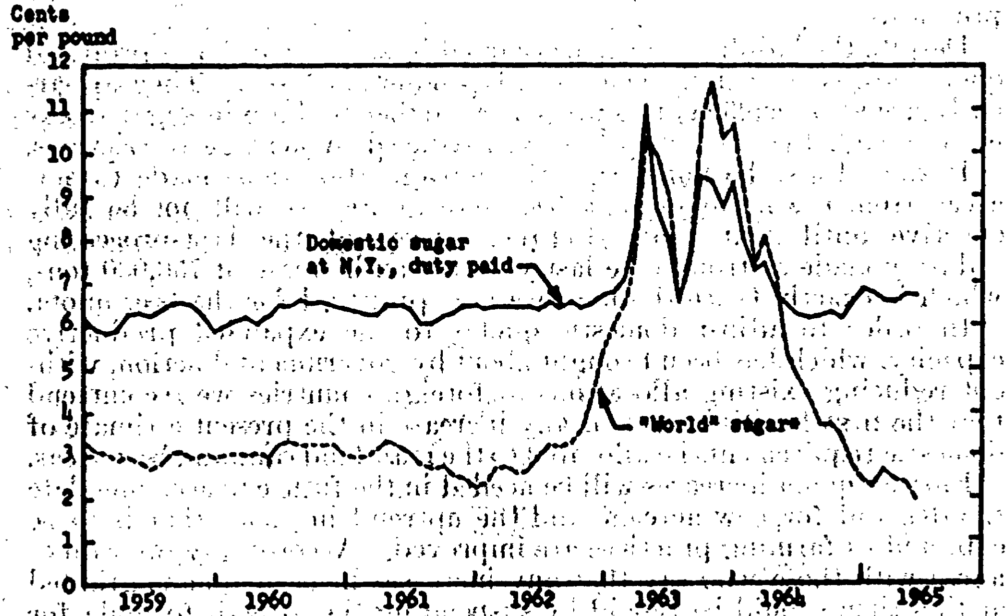
In order to adjust domestic quotas to the expanded productive capacity, which has been brought about by governmental action, without reducing existing allocations to foreign countries we recommend that the first 1 million tons of any increase in the present estimate of domestic requirements be allocated to the mainland cane and beet areas.

Further quota increases will be needed in the future to accommodate the demand for new acreage and the uptrend in yields that is to be expected as farming practices are improved. Accordingly, we cannot agree with those who say that any increases in basic quotas granted at this time should be repaid by suspending the growth formula for several years to come. Growers should not be penalized for an expansion that was encouraged by the Government.

On the contrary, we believe that it would be wise to provide greater opportunity for the orderly development of domestic sugar production by increasing the portion of the growth in consumption that is reserved for domestic producers from 65 to 75 percent.

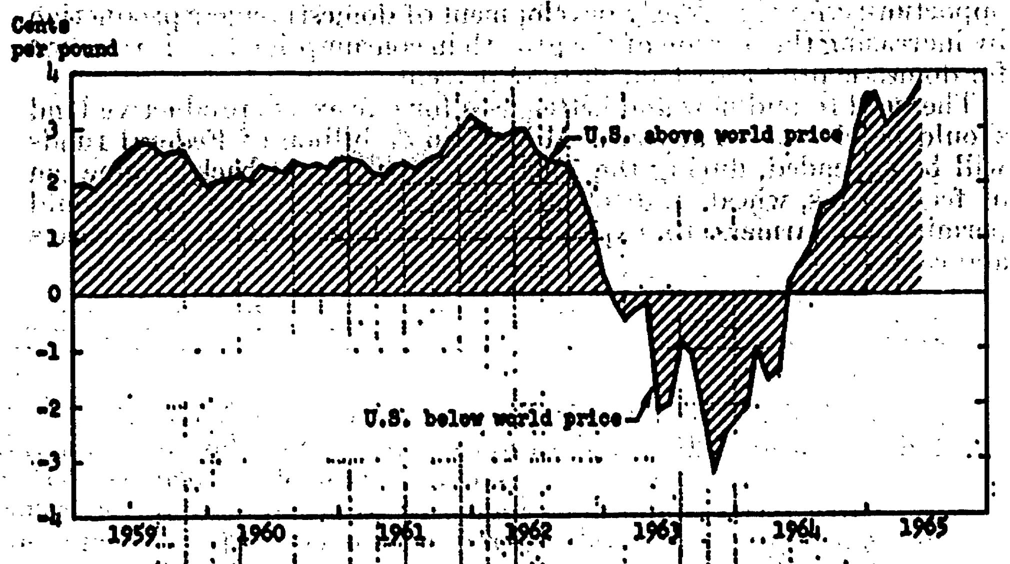
The need to find new and better uses for our excess productive land should be obvious to anyone. More than $3 billion of Federal funds will be expended, during the 1965 crop year, to cut back production of feed grains, wheat, and cotton with negligible results. We should permit our farmers to expand their acreage of both sugarbeets and cane.

CHART 1. SPOT PRICES FOR RAW CANE SUGAR, BY MONTHS, JANUARY 1959–JUNE 1965



*Cuban basis, 1959–60; Caribbean basis, 1961–65.

CHART 2. U.S. SUGAR QUOTA PREMIUMS AND DISCOUNTS, BASIS WHOLESALE PRICES AT NEW YORK AND WORLD RAWS, BY MONTHS, JANUARY 1959–JUNE 1965



Examples of how quota premiums and discounts are computed:

[Cents per pound]

	February 1964	June 1965
Domestic price, duty paid, New York	8.02	6.72
Minus, duty	.625	.625
Plus, bag allowance	.055	.055
Minus, shipping charges	.36	.39
Domestic price adjusted to world basis	7.09	5.76
World price	5.11	1.96
Quota discount	2.02	
Quota premium		3.80

Senator LONG. Thank you very much, Mr. Lynn.

Our next witness is Mr. John A. O'Donnell, representing the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.

STATEMENT OF JOHN A. O'DONNELL, GENERAL COUNSEL, PHILIPPINE SUGAR ASSOCIATION AND THE NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. O'DONNELL. Mr. Chairman and members of the committee, I am John A. O'Donnell, of Washington, general counsel of the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines. I have appeared before this committee on earlier occasions in connection with proposed sugar legislation, but it might be well again to describe the interests I represent.

The Philippine Sugar Association embraces 25 leading processing mills in the Philippines. The federation is made up of representatives of more than 35,000 planters who are small independent farmer-businessmen engaged in growing sugarcane.

Let me emphasize that my clients here are these two sugar producer associations. I do not represent the Government of the Republic of the Philippines in this hearing.

Philippine producers understand and respect the programs the U.S. Congress adopts for the benefit of beet and cane sugar producers of the United States whether on the mainland or in Hawaii, Puerto Rico, or the Virgin Islands. The requests of Philippine sugar suppliers are directed only toward sugar import requirements of the United States.

I appreciate the tremendous pressure under which you and your committee are operating and your desire to complete these hearings quickly. Accordingly, I shall be as brief as the interest of my clients will permit.

Mr. Chairman, today a large part of the economic future of the Philippines and many vital interests of the United States are in your hands. For a period of years, imports of Philippine sugar into the United States were restricted both by the Philippine Trade Act of 1946 and by the quotas established under the Sugar Act. Those limitations amounted to 980,000 short tons, raw value. In the revised Trade Agreement of 1955 that restriction was eliminated, and it was provided that sugar importations—

shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

One apparent misunderstanding of the position of Philippine sugar under the Philippine-American trade agreement is evident from the debates in the Congress, when some of the Members gave the impression that the quantity of Philippine sugar coming in the United States, having been fixed by that agreement, cannot be changed by Congress.

The fact is that the agreement specifically provides that any increase in the Philippine sugar quota is left to Congress to determine. Article II of the agreement provides on this point as follows:

> The establishment herein of the limitations on the amounts of the Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

In accordance with the decision of this committee, Congress increased the Philippine quota to 1,050,000 tons in 1962. Our industry, growers, and processors alike, appreciated that increase. I wish to call your attention to the fact, however, that the Philippine import quota is still 200,000 tons below the peak reached before controls were inaugurated in 1934. The Philippine quota is further below the 15.41 percent of U.S. consumption that it equaled under the Sugar Act of 1937. For these reasons and because of the fact that the Philippines are now the largest foreign supplier of sugar to the American market, I think it is worth while for this committee to take a few moments to examine the Philippine quota problem.

The Philippines were supplying sugar to the American market before the Spanish-American War, but the growth in the industry came after that war. The major expansion of the Philippine sugar industry came in the 1920's and the early 1930's. Both the development and the rehabilitation of the industry after World War II were based on shipments to the continental United States.

In 1933, the year before the Jones-Costigan Act was passed, the continental United States imported 1,249,000 tons of Philippine sugar. I want to emphasize the fact that actual imports in 1933 were 200,000 tons above our present quota.

Under the restrictive programs of the late 1930's, imports from the Philippines were cut to 1,088,000 tons in 1934 and were held below 1 million tons from then until they were stopped by World War II.

Even under the Sugar Act of 1937, however, the Philippine import quota equaled 15.41 percent of total continental U.S. requirements. If we accept the forecast of a well-known private sugar authority that 1965 distribution will approximate 10 million tons, then the Philippines prewar share would exceed 1,500,000 tons.

When the U.S. Government found it necessary in the summer of 1960 to stop taking sugar from Communist Cuba, the Philippine sugar industry was allotted by Congress 15 percent of the Cuban deficit, and it responded by supplying the United States with 1,165,000 tons in 1960 an 1,356,000 tons in 1961. Thereafter they supplied the United States with 1,256,000 tons in 1962; 1,195,000 tons in 1963, and 1,219,000 tons in 1964.

When world sugar prices got out of control in 1963, the Philippine industry not only shipped the United States more sugar than called for by their basic quota but, like the beet and mainland cane industries of the United States, undertook a further expansion program to supply the American market. Philippine production is now geared to a level of around 2 million tons. After allowing 600,000 tons for consumption in the Philippines, this should leave around 1,400,000 tons available for exportation.

Let me point out that the figure of 980,000 short tons, raw value, provided for by the Trade Agreement Act of 1946, was an appropriate figure for the early postwar rehabilitation period. This looked pretty good to a country flat on its back. However, it took the Philippines 13 years to rehabilitate their industry and it was not until 1954 that this quota was filled.

During the 13 years after Pearl Harbor, the Philippines were unable to market in the United States some 8 million tons of sugar of approximately a billion dollars in value. This quantity of sugar was filled by other foreign suppliers.

Also, the 1,050,000-ton quota provided for by the 1962 amendments to the Sugar Act gave much needed relief. I want to emphasize, however, that a quota of 1,050,000 tons is not sufficient to meet the export requirements of the Philippines today and it will be still less adequate in the future.

Let us look at the statistics. From 1948 to date the basic Philippine quota has been increased 70,000 tons. In the meantime, domestic distribution has risen by 2.5 million tons, and the Cuban quota of 3.1 millions tons has been distributed among other suppliers. All told, the quotas of other areas have been increased by around 5.5 million tons, while the quota for the Philippines has been increased only 70,000 tons. We are glad to see other new areas given an opportunity to develop sugar-exporting industries. In all frankness, however, we do feel that the Philippines should at least be restored to their 1933 position which amounted to 1,249,000 tons.

I know that your committee is being asked for larger quotas by many sugar-exporting countries. Accordingly, I believe every claimant should state its case clearly and factually, so that your committee will be in a position to decide issues on their merits.

Philippine sugar comes to refiners in the deficit area of the eastern seaboard. Moreover, the Philippine industry is undertaking to adjust its exports to the seasonal consuming requirements of the American market. When Cuba was the major supplier to the United States it performed this function. With Cuba out of the picture, however, every supplier to the U.S. market, including the Philippine industry, must be prepared to schedule its shipments in accordance with the seasonal requirements of this market. For its part, the Philippine industry has undertaken a program of contracting additional warehouses to carry more of their sugar from the period of harvest to the period of heavy U.S. consumption.

Congress has shown a keen and proper interest in the economics of our foreign suppliers. Therefore, I shall address myself to the subject. As pointed out above, we have 25 important processing mills and 35,000 planters. Most of our planters are small independent farmers with average sugarcane enterprises of around 25 acres each.

The quota that the Republic of the Philippines receives for importing sugar in the United States is divided among individual producers by the Sugar Quota Administration of the Philippine Government. Workers in the sugar industry are covered by minimum wage laws.

The various sugar associations maintain research and development programs. They also support health and welfare programs, and provide hospitals, schools, churches, and facilities for sports, entertainment, and cultural activities.

During World War II the sugar industry of the Philippines was almost completely destroyed. Since the war it has been rebuilt and it is estimated that the present investment in the industry amounts to $750 million. Approximately 3 million people, or more than 10 percent of the entire population of the Republic of the Philippines, are dependent upon sugar for a livelihood. Many banks, insurance companies, shipping companies, and other commercial institutions and their workers depend upon sugar for all or an important part of their income. Even for the Philippine Government, the sugar industry is the major source of revenue.

Because of the necessity of giving employment to a large number of people and the necessity of maintaining the economies of the established areas of production, it has not been possible for the Philippine sugar industry to adopt many of the labor-saving methods employed elsewhere or to abandon high-cost areas. For these reasons it is generally recognized that the Philippine sugar industry has a high cost of production which makes it utterly impossible for it to undertake to compete on the world market at today's prices.

A study by the U.S. Department of Agriculture substantiates the conclusion which has been reached in this statement. Its report, published as early as February 14, 1964, states:

> The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the Republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960 it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar production is relatively high cost.

The development of trade between the Philippines and the United States is a part of the recognized national policy of both Governments. A joint communique of President Johnson and President Macapagal issued October 6, 1964, stated in part that:

> The two Presidents looked to developments in the trade between their respective countries * * *.

The Philippines have long been an important customer of the United States. In 1963 Philippine imports from the United States were valued at approximately $320 million. Philippine imports of American farm products amounted to approximately $54 million. Important items in this group were $17,400,000 worth of wheat, $14 million worth of cotton, $15,700,000 worth of milk and cream.

Sugar is the major product the Philippines have to export to the United States in payment for the American products they buy. At the current prices the sugar that the Philippines can sell to the United States under their present quota should yield about $125 million in foreign exchange or nearly 40 percent of the value of American products imported by the Philippines in 1963. Therefore, the Philippine sugar quota must be increased if the United States-Philippine trade policy announced by President Johnson and President Macapagal is to be carried out.

The Philippines are unique among the foreign sugar-supplying countries in that they are the only such country that formerly was a part of the United States. The Philippines have been a part of our economic, cultural, and political heritage. In the hours of supreme national decision the Philippines have had no trouble in deciding whose side they were on.

During this period of contest between freedom and communism, with many nations perhaps undecided, the Philippines have made their decision clear. Communism is barred by law in the Philippines. The Republic of the Philippines does not have diplomatic relations with a single Communist country. Neither does it permit trade.

I shall not take the time to recount the joint efforts and sacrifices of the United States and Philippine forces during World War II, with which you are all so familiar.

I wish to remind you, however, that in 1950 the Philippines was the first among our friends to send a battalion of soldiers to fight beside the U.S. forces in the Korean campaign.

Today, Philippine medical and civilian action teams are in Vietnam and legislation is before the Philippine Congress to send a batallion of troops.

The Philippine Government is undertaking to help in Vietnam despite the fact that its own territory is being infiltrated by spies, saboteurs, and propagandists who are trying to destroy Malaysia, interfere with our efforts in Vietnam, and in fact, to defeat the entire SEATO program which the Government of the United States finds so necessary. We can be confident that the Philippine Government will cope with these infiltrators and propagandists.

By far the most important feature of all is that the Philippines are the staging areas for our military operations in Vietnam, and indeed, throughout southeast Asia. Our forces move out from our bases located at Clark Field and at Subic Bay. Our wounded are returned to the hospital installations at Clark Field that are generally referred to as the "Walter Reed" of the Far East. The confidence that these great strategic bases are in friendly territory far outranks in importance the billions of dollars spent in erecting those bases.

The friendship and cooperation that the United States has received from the Philippine Government and the Philippine people as a whole have been based on their convictions and their belief in our way of life. In these troublesome times, it is imperative that we give economic strength to our reliable friends, particularly those in distant strategic areas. When allocating sugar import quotas among foreign countries, I am confident that this committee and the U.S. Congress will further strengthen the cooperative relationship between the United States and the Republic of the Philippines.

Mr. Chairman, since the above statement was prepared I have had an opportunity to study H.R. 11135 which embodies the recommendations of the House of Representatives for amending the Sugar Act. The bill suggests that the Philippines be permitted to participate to a slight but limited extent in future growth of the domestic market and to maintain approximately its present position in filling deficits.

Under the Philippine Trade Revision Act of 1955 as I stated before, the responsibility for determining the quotas for the Philippines appears to rest solely with the Congress. Therefore, I ask that you give the Philippine quota provisions your careful study.

H.R. 11135 would permit the Philippines to supply 10.86 percent of the amount by which the U.S. requirements exceed 9,700,000 tons but in no event could such increase in the Philippine quota exceed 76,020 tons.

Mr. Chairman, I have already called your attention to the fact that actual imports into the United States from the Philippines have been well in excess of the basic quotas from 1960 to date, despite the fact that from 1960 through 1962 the Philippines had to plan their production on the basis of a 980,000-ton quota and since then they have had to plan on the basis of 1,050,000.

In December 1964, all of the foreign quotas under the Sugar Act amendments, except the Philippines, expired. The Philippine quota, like the domestics, runs until December 1966. In addition, the so-called global quota fell by the wayside, whereupon this Cuban reserve of roughly 1½ million tons was distributed among the foreign suppliers, except the Philippines. Under a USDA formula based on performance, giving one credit for 1963 and two credits for 1964, the Philippines qualified on the record but since their quota did not expire until December 1966, like the domestics, they were passed over. If this performance interim formula was applied to the Philippines, as to many who started at zero, we would receive 161,000 tons. The Philippines got nothing and it hurt.

If they received credit for the amounts by which their shipments exceeded their basic quotas for the average of the past 5 years, they would receive an immediate increase of 214,000 tons.

The Philippine industry is proud of its record of supplying sugar to the U.S. market despite the modest and fixed quota on which it necessarily based its production programs. Frankly, our industry does not understand why it should fail to be rewarded as others are for having performed as a regular and emergency supplier of sugar during the past several years.

How can you call upon the Philippine sugar producers in 1960 in an emergency to supply 15 percent of the Cuban cut, and in 1964 distribute approximately 1½ million tons of Cuban sugar with the expiration of the foreign deficits in December 1964 (except the Philippines) without giving them a pound, since their quota was tied to the domestics (1966)? And now in 1965 you are again about to tell them that under a formula that qualified you, nevertheless, your basic quota will remain in a straitjacket. We have no emergency, we do not need you.

The Philippine industry is very disappointed that it alone, among foreign suppliers, appears to have been excluded from participation in the reallocation of the Cuban reserve quota.

We agree with H.R. 11135 to the extent that we favor the granting of quotas to aid underdeveloped countries. Let me remind you that the Philippines is an underdeveloped country.

Mr. Chairman, I shall not comment further on the proposed bill. To simplify the issue, I recommend that on the basis of fairness, reasonableness, and consistency that the Congress increase the Philippine basis sugar quota from 1,050,000 tons to not less than 1,100,000 tons.

May I offer my thanks and that of the Philippine millers and planters, for whom I have appeared, for this opportunity to address you and for the consideration which I am confident you will show them.

(The supplemental statement filed by Mr. O'Donnell follows:)

SUPPLEMENTAL STATEMENT

LEGISLATIVE PROPOSALS AND THE PHILIPPINE SUGAR INDUSTRY

THE HOUSE BILL CUTS THE PHILIPPINES BELOW ADMINISTRATION RECOMMENDATIONS

In fairness to the sugar industry of the Philippines, and also to set the record straight for the Congress in its consideration of the proposed 1965 amendments to the Sugar Act, the following items are submitted:

Item: H.R. 10496, introduced August 17, 1965, contained recommendations by the executive departments for a modest increase for the Philippines for the first time in the following particulars:

(The basic quota of the Philippines remains the same—1,050,000 short tons). The Philippines, for the first time, were included as a participant in the growth. The bill provides that the Philippines will receive 10.86 percent to the extent of 700,000 tons, following a determination by the Secretary of requirements above 9,700,000 tons. For example, if the Secretary determines that the consumption estimate is 9,800,000 tons, the Philippines will pick up 10,860 short tons, etc., up to 10.4 for a maximum of 76,020,000 tons. This is a limited participation in the future growth of the domestic market.

Under this bill, the Philippines maintains approximately its present position in filling deficits.

Item: House bill cuts Philippines. H.R. 11135, September 17, 1965, reported out of the House Agriculture Committee, gives the Philippines materially less than the so-called administration measure (H.R. 10496) in the following respect: Section 13 of the administration measure states that all provisions of the law shall become effective January 1, 1965, whereas H.R. 11135 (the House committee bill) provides, under section 13, that the "amendments made by section 4 (deficits) of the act shall become effective January 1, 1966." Unquestionably, it was the intention of those responsible for the administration measure (H.R. 10496) that the Philippines should participate in 1965 deficits, as provided in section 4, to the extent of 47.22 percent as against 31.4 percent now applicable under the present law. Since the Puerto Rican deficit is conservatively estimated at 330,000 tons, this would mean, under the administration bill, the Philippines would be allocated 155,826 tons as against 103,620 tons under the present law, or a net loss of roughly 52,000 tons.[1]

Item: Why is the Philippine quota so large?

The Philippines today is not only the largest but oldest foreign supplier to this market starting before the Spanish-American War, but the growth of the industry came after the war. The Philippine quota to the United States reached its peak in 1937 when it was allotted 15.41 percent of U.S. consumption. If we accept the forecast of a well-known private sugar authority that 1965 distribution will eventually exceed 10 million tons, then the Philippine prewar share would exceed 1,500,000 tons.

World War II literally wiped out the Philippine sugar industry. In 1946, under a trade agreement of the same year, a quota of 980,000 tons was provided. This looked pretty good to a country flat on its back. However, it took the Philippines 13 years to rehabilitate their industry and it was not until 1954 that this quota was filled.

During the 13 years after Pearl Harbor, the Philippines were unable to market in the United States some 8 million tons of sugar of approximately a billion dollars in value. This quantity of sugar was filled by other foreign suppliers.

Item: The Philippines found themselves in a straightjacket subsequent to 1954, tied to the 980,000 tons.

When the Philippine trade agreement came up for revision in the 1st session of the 84th Congress, there was inserted a proviso in the Philippine Trade Revision Act of 1955, article II, paragraph 1, as follows:

[1] This matter is now moot, since the Secretary of Agriculture has declared the Puerto Rican deficit (Oct. 8, 1965) under the terms of the present law.

"The establishment herein of the limitations on the amounts of Philippine raw and refined sugar that may be entered, or withdrawn from warehouses, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future."

Based on the foregoing, the Philippines have always looked to Congress for assistance for their principal industry. H.R. 11135 would again place the Philippines in a straightjacket, as far as this market is concerned, for the next 5 years, while all the other suppliers, by and large, participate in the Cuban reserve.

One apparent misunderstanding of the position of Philippine sugar under the Philippine-American Trade Agreement is evident from the debates in the Congress, when some of the Members gave the impression that the quantity of Philippine sugar coming into the United States, having been fixed in that agreement, cannot be changed by Congress.

The fact is that the agreement specifically provides that any increase in the Philippine sugar quota is left to Congress to determine. As a matter of fact, it was Congress, in 1962, that gave the Philippines 70,000 tons, making their basic quota 1,050,000 tons.

Item: Let us look at the statistics. From 1948 to date, the basic Philippine quota has been increased 70,000 tons. In the meantime, domestic distribution has risen by 2.5 million tons and the Cuban quota of 3.1 million tons has been distributed among other suppliers. All told, the quota of other areas has been increased by 5.5 million tons, while the quota for the Philippines has been increased only 70,000 tons.

Philippine sugar comes to refiners practically exclusively in the deficit area of the eastern seaboard and to this extent has scheduled its shipments in accordance with seasonal requirements.

Item: When the U.S. Government found it necessary, in the summer of 1960, to stop taking sugar from Communist Cuba, the Philippine sugar industry was called upon and allotted by Congress 15 percent of the Cuban deficit, and it responded by supplying the United States with 1,165,000 tons in 1960 and 1,356,000 tons in 1961. Thereafter, they supplied the United States with 1,256,000 tons in 1962; 1,195,000 tons in 1963, and 1,219,000 tons in 1964.

A study by the U.S. Department of Agriculture substantiates the conclusion which has been reached in this memorandum. Its report, published as early as February 14, 1961, states:

"The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960 it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar production is relatively high cost."

When world sugar prices got out of control in 1963, the Philippine industry not only shipped the United States more sugar than called for by their basic quota but, like the beet and mainland cane industries of the United States, undertook a further expansion program to supply the American market. Philippine production is now geared to a level of around 2 million tons. After allowing 600,000 tons for consumption in the Philippines, this should leave around 1,400,000 tons available for exportation.

The Philippines ships no sugar to markets other than the United States. As pointed out in the report of the Department of Agriculture of February 14, 1961, "Philippine sugar production is relatively high cost."

Item: In December 1964, all of the foreign quotas under the Sugar Act amendments, except the Philippines, expired. The Philippine quota, like the domestics, runs until December 1966. In addition, the so-called global quota fell by the wayside, whereupon this Cuban reserve of roughly 1½ million tons, was distributed among the foreign suppliers, except the Philippines. Under a USDA formula based on performance, giving one credit for 1963 and two credits for 1964, the Philippines qualified on the record, but, since their quota did not expire until December 1966, like the domestics, they were passed over. If this performance interim formula was applied to the Philippines, as to many who started at zero, we would receive 161,000 tons. The Philippines got nothing and it hurt.

Item: The development of trade between the Philippines and the United States is a part of the recognized national policy of both Governments. A joint communique of President Johnson and President Macapagal, issued October 6, 1964, stated in part that "The two Presidents looked to developments in the trade between their respective countries * * *."

The Philippines have long been an important customer of the United States. In 1963 Philippine imports from the United States were valued at approximately $820 million. Philippine imports of American farm products amounted to approximately $54 million. Important items in this group were $17,400,000 worth of wheat, $14 million worth of cotton, $15,700,000 worth of milk and cream.

Sugar is the major product the Philippines have to export to the United States in payment for the American products they buy. At the current prices the sugar that the Philippines can sell to the United States under their present quota should yield about $125 million in foreign exchange or nearly 40 percent of the value of American products imported by the Philippines in 1963. Therefore, the Philippine sugar quota must be increased if the United States-Philippine trade policy announced by President Johnson and President Macapagal is to be carried out.

The Philippines are unique among the foreign sugar supplying countries in that they are the only such country that formerly was a part of the United States. The Philippines have been a part of our economic, cultural, and political heritage. In the hours of supreme national decision, the Philippines have had no trouble in deciding whose side they were on.

Item: During this period of contest between freedom and communism, with many nations perhaps undecided, the Philippines have made their decision clear. Communism is barred by law in the Philippines. The Republic of the Philippines does not have diplomatic relations with a single Communist country. Neither does it permit trade.

Item: In these troublesome times, mention should be made of our military bases agreement with the Republic of the Philippines, permitting us to maintain and operate military bases there. These bases are of the greatest importance and utility to our Armed Forces and to our defense position in the Far East. They are on the direct route between our country and South Vietnam. Not only is Clark Air Base vital to our 13th Air Force, and Subic Bay and Sangley Naval Bases to our 7th Fleet, but we derive special advantages in their use and operations because of the close relationship and association which our two countries and our people have enjoyed in the past. Ten thousand Filipinos at this moment are serving in our Navy. Thousands of Filipino civilians and technicians are employed at our military bases.

CONCLUSION

How can you call upon the Philippine sugar producers in 1960 in an emergency to supply 15 percent of the Cuban cut, and in 1964 distribute approximately 1½ million tons of Cuban sugar with the expiration of the foreign deficits in December 1964 (except the Philippines) without giving them a pound, since ther quota was tied to the domestics (1966). And now in 1965 you are again about to tell them that under a formula that qualified you, nevertheless, your basic quota will remain in a straitjacket. We have no emergency, we do not need you.

RECOMMENDATION

On the basis of fairness, reasonableness, and consistency, that the Congress increase the basic sugar quota of the Philippines from 1,050,000 tons to not less than 1,100,000 tons.

This recommendation is further strengthened by allegations that the Senate is going to request some 20,000 tons out of the Puerto Rican deficit for allocation to mills in Florida whose investments are proving unprofitable.

The Filipino people have never put a price tag on their loyalty. Neither do they like to be outside, looking in. It is up to the Congress.

PHILIPPINE SUGAR ASSOCIATION
(25 processing mills).
NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES
(35,000 planters, independent small businessmen).
JOHN A. O'DONNELL, *Counsel.*

Senator LONG. Thank you Mr. O'Donnell.

We are pleased to have as our next witness Mr. Oscar Chapman, who appears in behalf of the Association of Sugar Producers of Mexico.

STATEMENT OF OSCAR L. CHAPMAN, COUNSEL, ASSOCIATION OF SUGAR PRODUCERS OF MEXICO

Mr. CHAPMAN. Mr. Chairman and members of the committee, my name is Oscar L. Chapman. I am appearing before you once again on behalf of the Association of Sugar Producers of Mexico, which, together with the people of Mexico, has a very vital stake in this legislation. Before getting into the body of my testimony, I would like to make one point very clear: I do not represent the Government of Mexico in this proceeding.

I would like to briefly discuss with you the question of where, how, and by what means the United States should acquire its foreign sugar supplies: In this connection, I will make the following two points:

(1) The sugar producers of Mexico hope that the foreign quotas will be allocated on the basis of some measurable objective formula, such as that contained in the administration bill, and

(2) No matter what objective criteria are used in such a formula, Mexico deserves to be one of the largest sugar suppliers as it would be under the administration bill.

Let me turn now to my first point; that is, that the foreign sugar quota should be allocated on the basis of some measurable objective formula. In my view, one of the fundamental problems with the sugar legislation has been the absence of such a formula. It has sometimes been suggested that various economic or political criteria or some combination of economic and political factors should be used in setting sugar quotas for foreign countries.

However, these have never been precisely stated or generally accepted by Congress. Because Congress itself appeared to be uncertain about what considerations were relevant, the representatives who appeared before them could never be sure of the issues to which they should address themselves. This uncertainty has produced a number of undesirable side effects, not the least of which is that the subject of sugar has absorbed large amounts of the time of an already overworked Congress. In the end, quotas have been allocated, but no one has been entirely sure what caused one country's quota to be higher or lower than another country's quota.

Having defined the problem, we can move on to the next question; namely, what can be done about it? The answer is that the best cure is for Congress to allocate the foreign quotas on the basis of some measurable, objective formula. If this is done, a country's quota will simply depend upon the extent to which it meets the requirements in the formula. When this is clearly understood by everyone, no extended discussion of the subject will be required. Every country will know how its quota is set, and so will the general public, both here and abroad. The advantages of this system are obvious.

Assuming that the formula approach is adopted, what type of formula should be used? This brings me to my second and final point, and that is, that no matter what criterion is used, so long as it is measurable and objective, it will be clear that Mexico should be among the foremost suppliers.

The allocation of quotas in the administration bill is an excellent example of how such a formula can work. The administration chose a formula based upon sugar deliveries during the period 1963-64, with double weight for 1964, the period of greatest scarcity. Not only is such a formula objective and measurable, but also it has the virtue of redeeming an earlier administration commitment. On November 5, 1963, when the price of sugar was higher on the world market than on the U.S. market, and foreign countries could only ship to the United States at a considerable sacrifice, the Department of Agriculture issued a press release stating in part—

> the extent to which foreign countries supply our import requirements next year as needed will have a bearing on recommendations for new legislation (USDA press release, 3707-63, Nov. 5, 1963).

Other communications were also sent to foreign suppliers, and in both the press release and the other communications the meaning was made clear: Those countries which are willing to take a loss in 1964 by selling their sugar to the United States instead of on the world market will be rewarded with higher quotas when the Sugar Act is reconsidered in 1965. This was clearly a proper action on the part of the administration. The U.S. market needs dependable suppliers. In this connection, I am happy to report that Mexico, more than any other supplier, sacrificed its own financial interests in order to supply the U.S. market in 1964. Accordingly, Mexico is gratified to see that the administration is attempting to redeem its pledge in its bill.

It seems clear then that the administration has devised a formula which takes into account the most relevant factors. Other factors might reasonably be considered, but no matter what criterion is used, it is clear that Mexico should be one of the leading foreign suppliers. Thus, one might consider balance of trade—Mexico purchases over twice as much from the United States as the United States buys from it, and has a total trade deficit with the United States in excess of $1.5 billion over the past 5 years. One might consider total purchases from the United States—Mexico buys over twice as much from the United States as the next largest Latin American purchaser. Or purchases of agricultural products might be thought relevant—Mexico not only purchases more agricultural goods from the United States than any other Latin American country, but also purchases almost half again as much as the next largest purchaser. Because of the gold flow problem one might also wish to consider the percentage of total imports purchased from the United States. Here, too, Mexico leads the list of Latin American countries by a wide margin, purchasing almost 70 percent of its imports from the United States.

There are several other points which need comment, but time limitations will not permit me to discuss them with you today. However, we have prepared a somewhat longer statement covering these points which I ask permission to have incorporated in the record.

In conclusion, I wish to thank this committee, its members, and staff, for the opportunity to appear before you and present the views of the sugar producers of Mexico on this legislation which so vitally affects them.

(The supplemental statement of Mr. Chapman follows:)

SUPPLEMENTAL STATEMENT OF OSCAR L. CHAPMAN

The principal points I wish to make for Mexico have already been covered in my oral testimony. However, there are certain other points which, strictly speaking, are not before the committee, but which are constantly cropping up and which I believe deserve some comment.

The first of these is what I call the myth of the world market. In recent years, every time Congress has begun to consider sugar legislation, there has been considerable discussion about the world market. For the most part this discussion has been based upon the theory that the actual economic price for sugar is the so-called world market price. Accordingly, it is sometimes argued that anything that a foreign producer receives above the world market price is in the nature of a gift from the people of the United States. Since the U.S. market price is usually substantially higher than the world market price, it is assumed that a very substantial gift is being made to foreign producers. Recently this differential has even been referred to as the foreign aid component of the sugar price.

I wish there were some way to explode the world market myth once and for all because it has caused a great deal of misunderstanding of the sugar market. Perhaps the difficulty arises in part from the fact that the term "world market" seems to imply that there is one large marketplace in which the world sugar is sold, and that every country except the United States buys its sugar in that marketplace paying world market price. Nothing could be further from the truth. In fact, only about 15 percent of the world's sugar is sold in the world market at the world market price, and over half of this is sold by Cuba and the Communist bloc. The remaining 85 percent is sold in preferential markets at prices approximating the U.S. price.

The statistical breakdown runs something like this. The world supply of sugar amounts to something more than 60 million tons. Approximately 70 percent (42 million tons) is consumed in the country in which it is produced at premium prices. The remaining 30 percent moves in international trade, but more than one-half of this (about 17 percent of the world supply, or 10 million tons) is sold in preferential markets such as the United States, Britain, France, or the Soviet Union, under some sort of quota system at prices approximating the U.S. price. Accordingly, this leaves only about 13 percent (8 million tons) of the world sugar supply to be sold on the so-called world market. At least one point then should be clear: Only a very small part of the world's sugar supply is actually sold in the world market at world market prices.

Even this does not tell the whole story, because of those countries which actually sell on the world market few, if any, sell at a profit. In this connection, it should be noted that there appear to be two principal reasons why countries sell sugar on the world market. First, a number of countries which sell the majority of their sugar in preferential markets inevitably have some left over, and so they sell their surplus in the world market for whatever price they can get. With some exceptions, this appears to be the primary factor which motivates countries selling sugar to the United States to also sell in the world market. Absent the various preferential markets, this sugar in the long run would not be available. The second group of countries which sell in the world market are those, principally in the Communist bloc, which are so short of foreign exchange that they will dump sugar on the world market below cost simply to earn hard currency. This accounts for the fact that more than one-half of the sugar sold on the world market is sold by Cuba and the Communist bloc. Under our present import policies, this sugar would in no event be available for the U.S. market. It can thus be seen that except for the Communist bloc, few countries actually grow sugar for sale on the world market at world market prices. Accordingly, the United States could not hope to obtain its sugar supplies from this source, or at this price.

The second point I would like to address myself to is the question of whether the United States should impose an import fee on imported sugar. In recent years we have frequently heard such proposals. This year the import fee proposal has been opposed by the administration, the House of Representatives, and all segments of the sugar industry, both domestic and foreign. Nonetheless, we have heard several new proposals to impose such a fee. Accordingly, through an abundance of caution, I am setting out my reasons for opposing such a fee.

All proposals to impose an import fee have been based upon the theory that the world market price is the price at which sugar should be sold. Some proponents of the fee have suggested that only one-half or three-quarters of the difference between the low world market price and the usually higher U.S. price should be "recaptured," or that the amount of the fee should not exceed a specified figure, e.g., 1 cent per pound. They all have proceeded, however, on the erroneous theory that foreign countries can make a profit on the world market, and that anything they receive above the world market price is in the nature of a gift.

This year the foreign sugar suppliers have submitted their cost figures to the Library of Congress, and it has been shown that, if such a fee were applied, it would reduce the return of foreign suppliers below cost in many, if not most, cases. Accordingly, if the United States wishes to continue to receive a stable supply of sugar from foreign sources on a permanent basis, it cannot make the U.S. market unprofitable for foreign suppliers. The import fee would do just that.

The next question I would like to address myself to is why it is necessary to have country quotas. Almost every time sugar legislation is being considered in Congress, this question is raised. There are those who wonder why we cannot simply take whatever sugar we can get from anywhere in the world. The reason that country quotas are necessary is that the United States requires a stable supply of sugar. Without this, prices fluctuate widely, as they did in 1963-64 under the global quota system. In order to have a stable supply it is necessary to guarantee suppliers a specified portion of the U.S. market. This is true because growing sugar in any country requires a very substantial investment. (Sugarcane, for example, takes between 12 and 24 months to mature.) Few sugar producers would want to make such a large investment so far in advance without knowing that they were going to have some place to sell their sugar at a reasonable price when it finally matured. Accordingly, the stable market principle is a two-way street; if the United States wishes to have a stable supply, it must provide a stable market. Only set country quotas which guarantee each country the right to export a specified amount of sugar to the United States will provide such a market.

The last point I would like to comment upon is whether Congress or the executive branch should set foreign quotas. Occasionally we hear suggestions that the obligation to set quotas should be transferred to one or more of the executive departments. It seems to me, however, that if the quota setting function were transferred to the executive branch, the agencies responsible for setting the quotas would be subjected to daily pressures. Every time a new international agreement on military bases, foreign trade, or communications was being negotiated, some countries might attempt to increase their sugar quotas. Accordingly, instead of having Congress bothered once every few years, the executive branch would be bothered every day. It can thus be seen that mere transfer of the quota allocation function to the executive branch is not the answer.

As I suggested in my oral statement, however, this problem both for Congress and the executive branch, can be substantially remedied if Congress will simply adopt a measurable, objective formula by means of which the sugar quotas can be allocated. If this is done and the formula is applied across the board to every country, then the function of applying the formula to any given country in any given year could well be transferred to an executive department.

In conclusion, I want to thank the committee for the opportunity to insert this material into the record.

Senator LONG. Thank you very much for your statement, Mr. Chapman.

STATEMENT OF CHARLES H. BROWN, REPRESENTING SUGAR INDUSTRY OF FIJI

Mr. BROWN. Mr. Chairman, my name is Charles H. Brown; and I appear here today as the U.S. representative of the sugar industry of Fiji—a group of about 322 small islands (95 inhabited) which are some 2,700 miles southwest of Hawaii, 1,800 miles east of Australia, and 1,200 miles north of New Zealand.

In 1962, this committee and the Congress gave the people of Fiji an opportunity to supply sugar to the United States by granting this little island country a permanent sugar quota of 10,000 tons and provided access for additional Fiji sugar through global quota purchases.

Fiji has asked me to express to this committee—and through you to the people of the United States—her deep gratitude for this access—a gratitude which, I suggest, they demonstrated tangibly during the worldwide sugar shortage of 1963 and 1964. During those 2 difficult years when sugar-importing countries were clamoring for supplies, Fiji delivered to the United States more than 103,000 tons of raw cane sugar—83,000 more than her basic quota for the 2 years—even though that 83,000 tons would have brought higher prices elsewhere.

Fiji is a loyal, stable, reliable source for high-quality raw cane sugar—the 10th largest sugar exporting country in the free world. Her total production last year was 348,000 tons; 360,000 in 1965; and she has the potential to produce (within the next 5 years) more than 450,000 tons. In 1964, her sugar exports totaled 340,000 tons; and in 1965 will exceed that. Her shipments to the United States this year will run almost 50,000 tons. The administration has recommended to the Congress that Fiji receive a quota under the 1965 Sugar Act of approximately 50,000 tons. This represents about 14 percent of Fiji's production; and Fiji desperately needs to maintain and, if possible, increase these shipments to the United States.

Fiji has long been a loyal friend to the United States. Fiji sons fought with American sons at Bougainville, the Solomons, and Guadalcanal. A strong U.S. force was employed to hold these strategically important islands in World War II; and many American soldiers remember Fiji well. Indeed, President Johnson was hospitalized in Suva for a short period during the war.

Under the ANZUS pact, the United States shares responsibility for the defense of Fiji with New Zealand and Australia, because these islands are the crossroads of the Southwest Pacific.

We use her harbors, her airports, and other facilities for space tracking and defense training.

In 1952–56, Fiji supplied troops to help suppress the Communist terrorists in Malaya.

It is a fact that every time we have called upon Fiji for assistance—whether it was for men, facilities, or sugar—she has responded quickly as a reliable friend and ally.

Fiji—like some other countries—is experiencing a disturbing population explosion—increasing at the rate of 3½ percent per year. There are about 456,000 people in the islands, almost the size of Hawaii in 1950; and the population is extraordinarily youthful—44 percent under the age of 15; 72 percent under 25. These young people want opportunities; and the national income must be expanded at least 3½ percent just to maintain the present modest standard of living; and, of course, it must be more if living standards are to be improved.

The only real opportunity for economic growth is agriculture, because the majority of the people look to the land for their livelihood; and the main cash product is sugar.

Sugar represents 65 to 75 percent of Fiji's total export sales; and exports comprise about half the total national income.

Fiji cane growers are independent farmers, operating some 15,000 farms averaging about 10 acres of caneland per farm; and the number of farmers has been increasing annually.

Though these farmers do not have the modern machinery that American farmers have, they are just as proud of their farms and their yields per acre; and they are just as strongly anti-Communist. They are family farmers—hard working, patriotic, and loyal to Western ideals.

Fiji's sugar mills are modern, efficient, and Fijian operated. South Pacific Sugar Mills, Ltd., is a large publicly owned company, incorporated in Fiji, and owned by shareholders in Fiji, Australia, and New Zealand. Over 97 percent of the employees of the company were born in Fiji. There are no racial problems in the mills. Relations among the ethnic groups are excellent.

South Pacific Sugar Mills buys the cane from the independent farmers under a contract arrangement proposed by an independent commission of inquiry, negotiated and accepted by the growers and the mills. The sugar is manufactured in four modern mills, and there are permanent-type storage facilities for 120,000 tons—one-third of the present production.

Fiji can ship its present annual export of 50,000 tons to the United States year in and year out without difficulty and would like to ship 100,000 tons per year to the United States, beginning in 1966.

And there is no question about Fiji's ability to supply this tonnage. She has the farms, the farmers, and the milling capacity. Right now, there are 152,000 acres in sugarcane; and there are, at least, another 180,000 acres of good sugar land accessible to existing mills; and there are ever-growing numbers of farm applicants who want to grow sugar.

Fiji desperately needs to maintain its position in the U.S. market. Where other nations have preferred remunerative markets for as much as 85 to 100 percent of their sugar (i.e., domestic consumption plus exports to the United States or Britain or other major importer), Fiji's domestic consumption takes only 6 percent of her production (20,000 tons) and her contract with Britain takes 44 percent (160,000 tons). This leaves some 50 percent of Fiji's production (180,000 tons) to be sold on a world price basis, for which Canada and New Zealand have traditionally provided some outlet. But Fiji's haunting problem is where to sell 25 percent or more of her total production at remunerative prices. An assured market in the United States for at least 50,000 tons is vitally important to the economic and social stability of Fiji.

The administration's recommended quota of 50,000 tons of Fiji is in the national interest of the United States as well as in the interest of Fiji. These Southwest Pacific islands represent one of the large sugar exporters of the free world. Fiji produces sugar—lots of it for export. And Fiji is a reliable source which has political stability. We need to maintain good relations with such major sources of sugar supplies if we are to protect American consumers against unforeseen economic and political crises which could develop at any time in some of the countries upon whom we depend for much of our sugar.

By diversifying and dispersing our sources for imported sugar among many exporting countries of the free world, we can prevent sugar rationing and unreasonable prices for U.S. consumers. Certainly, Fiji's export capability qualifies her as an important source for emergency supplies; and her performance during the 1963 and 1964 sugar shortage establishes Fiji's dependability as a U.S. supplier. That is the primary reason for the administration's recommendation of a 50,000-ton quota for Fiji.

And the more sugar the United States has bought from Fiji, the more rice, machinery, tobacco and cigarettes, chemicals, etc. Fiji has bought from the United States. In the past 4 years, her imports of U.S. agricultural commodities have increased 300 percent. The people of Fiji have purchased tobacco and canned fish from the United States for years; and now, they are importing U.S. brown rice.

SUMMARY

Fiji applies to the Congress for a quota under which she may continue to supply raw sugar to the United States and respectfully directs the committee's attention to the following considerations:

1. Fiji is the 10th largest sugar exporter in the free world and has an excellent record as a reliable supplier of sugar to many different countries for many years.
2. Fiji has been a loyal supplier to the United States. During the world shortage of 1963 and 1964, she supplied 103,000 tons—83,000 more than her quota, despite the fact that higher prices could have been obtained elsewhere for those 83,000 tons.
3. Sugar is the life blood of the Fiji economy.
4. Because of Fiji's high rate of population increase, and her limited field of available natural resources, sugar production provides the most immediate practical means for economic development and employment opportunities for the young people in the islands.
5. Beginning in 1966, Fiji offers to sell to the United States 100,000 tons of raw cane sugar per year.
6. Fiji is a small but growing customer of the United States, particularly in the field of agricultural products; and Fiji pays with cash dollars.
7. Fiji is important strategically in the Southwest Pacific and, through the years, has proved herself to be a loyal friend and ally to the United States and the free world.

Senator LONG. Thank you very much for your presentation, Mr. Brown.

Our next witness is Mr. James W. Riddell, appearing in behalf of the Indian Sugar Mills Association.

STATEMENT OF JAMES W. RIDDELL, COUNSEL, INDIAN SUGAR MILLS ASSOCIATION

Mr. RIDDELL. Mr. Chairman and members of the committee, my name is James W. Riddell. I am a partner in the firm of Dawson, Griffin, Pickens & Riddell, 731 Washington Building, Washington, D.C., attorneys. We are counsel for the Indian Sugar Mills Association, an organization of the Indian sugar industry, which by an act of Parliament of the Republic of India has exclusive responsibility for the export of Indian sugar.

India has been privileged to supply sugar to the United States since 1961. In 1961, as a result of administrative action taken by the then Secretary of Agriculture, India shipped 175,000 tons of sugar to the United States. In 1962, a total of 146,540 tons was shipped to the United States. Of this amount, 100,000 tons came in in the first half of the year pursuant to administrative action and then, pursuant to the action taken by the Congress with respect to the Sugar Act in that year, which granted India for the first time a statutory quota in the 0.71 percent category, 8,325 tons were shipped in the second half of the year as basic quota and 38,215 tons were shipped as global quota. In 1963, 21,823 tons were shipped as basic quota, and 97,638 tons were shipped as global quota. In 1964, 20,326 tons were shipped as basic quota and 96,195 tons were shipped as global quota.

This year, again pursuant to action taken by the Secretary of Agriculture, India will be permitted to ship to the United States approximately 103,919 tons of sugar. Thus India has been a major supplier of sugar to the United States since 1961 and has averaged in excess of 100,000 tons of supply per year, or roughly five times more than the statutory quota granted her under the 1962 act.

The provisions of the bill reported by the Agriculture Committee of the House of Representatives and passed in the House yesterday, would substantially reduce the amount of sugar which India can ex- export to the United States. If total U.S. consumption is computed at 9.7 million tons, the House bill would permit India a quota and an allocation of the Cuban quota of only 64,861 tons. If U.S. consumption is computed at 10 million tons, she would be permitted to export to the United States only 73,471 tons. The proposal of the administration, which is incorporated in S. 2567, would permit India to export to the United States a total of 97,000 tons.

The major purpose of the Sugar Act is to secure to the consumers of the United States price stability and adequate sugar supplies. The success of the Sugar Act in securing these objectives was demonstrated in 1963 and 1964, when for the first time in many years the world price of sugar rose above the U.S. price. The situation with respect to adequate supplies was so critical during this period that the Department of Agriculture issued a press release on November 5, 1963 stating, in part, that:

> The extent to which foreign countries supply your import requirements next year as needed will have a bearing on recommendations for new legislation.[1]

In addition, cables were sent to foreign sugar producers by the U.S. Department of Agriculture requesting advance commitments to ship stated quantities of sugar to the U.S. market during 1964. The response made by foreign sugar suppliers to these requests by the Agriculture Department formed the basis for the recommendations contained in the administration's sugar bill. The people who formulated S. 2567 are in the best position to know which suppliers fulfilled their commitments to the U.S. market and how soon during the critical period of 1963 and 1964 they did so. The time of a commitment by a foreign supplier was vital. The Department of Agriculture had to know that the sugar would be available and it had to know when it would be available. Those countries who find themselves discontented with the provisions of S. 2567 have only themselves to blame. Had they chosen, as did India, to commit to the U.S. market when requested by the Agriculture Department, they would not have cause to be concerned now about a formula based on 1963–64 and weighted 2 to 1 for 1964.

Had she chosen to do so, India too could have sold the sugar that she shipped to the United States in 1963–64 at the higher prices then prevailing in the world market, as did many of the countries who complain about the formula contained in S. 2567—but she did not. She

[1] U.S. Department of Agriculture press release 3707–1963, Nov. 5, 1963.

sold in the United States and she did so because it was good business for India.

Mr. Chairman, I do not call attention to India's performance in 1963 for the purpose of laying any claim in any way based upon gratitude. India performed in 1963 and 1964 just as she performed in 1961, 1962, and as she will perform in 1965, and in every other year for which you gentlemen see fit to grant her the privilege of selling in the U.S. market. India has performed and will perform for the simple reason that she is grateful for an opportunity to sell her sugar in the best market in the world. Furthermore, her need to sell sugar to the United States is greater than that of any other nation in the world.

I am aware that the argument has been made on behalf of others who have appeared here that because their particular clients performed in 1963 and 1964, they are now entitled to some special consideration. Mr. Chairman, in my judgment a seller who has not the sense to take a short-term loss to protect his long-term interests is not entitled as a matter of simple business to a U.S. quota for sugar. That the various foreign suppliers of the world who were privileged by the action of this committee to sell in the United States did so in 1963 and 1964, when the world price was higher than the U.S. price, simply demonstrates that the reasons for the Sugar Act are valid and its purposes fulfilled. The U.S. price is fixed with the objective of securing to the people of the United States a stable supply of sugar. Who can claim credit for having performed in such a way as to carry out the purposes of the act? India cannot and, in my view, neither can any other nation. But, Mr. Chairman, I do think it fair to examine the record of performance of each and every supplier to ascertain whether or not during the crucial years 1963 and 1964 they fulfilled their obligations to the U.S. market and how soon they chose to do so.

I pitch my case for the quota provided to India by the provisions of S. 2567 upon India's ability to deliver—fulfill its commitments to the U.S. market—upon the need of the people of India for a place in the U.S. market and upon the advantages to the people of the United States which are offered by a market of over 488 million people.

India is among the largest sugar producers in the world. If indigenous sugars, gur and Khandsari are taken into account, production is well over 7 million tons per year. Of this, over 3 million tons is centrifugal sugar produced in 226 vacuum sugar factories, and it is expected that higher production of centrifugal sugar will be achieved in the years to come. Today the annual export target for India is set at between 500,000 and 750,000 tons per year.

India is the largest sugarcane producer in the world, producing in excess of 105 million tons per year on over 5.6 million acres of land and accounting for about one-third of the world's total acreage of sugarcane. This acreage is divided between over 4½ million growers. These growers and their dependents number over 20 million people. When this number is added to those people who are directly employed by the sugar-processing industry, which is the second largest industry in India, it means that over 21 million Indian people are directly dependent on sugar for their livelihood. For a nation numbering in excess of 480 million souls, this figure is not large, but every citizen of

India has a direct interest in what this committee does with respect to India's privilege to sell sugar in the U.S. market.

India has the cane and she has the sugar. She is in a position to supply the amount of sugar which would be granted by the provisions of S. 2567. On the other hand, it is extremely unlikely that some of the countries to which a quota has been granted by the provisions of the House bill will be in a position to ship sugar in the quantities which that bill would allow. For example, past performance makes it extremely unlikely that Venezuela can supply the 30,000-ton quota which would be allocated to her by the provisions of the House bill. In 1961 her total production was 221,000 tons. On the other hand, her consumption was 218,000 tons. In 1962, she produced 231,000 tons and consumed 230,000 tons. In 1963, she produced 250,000 tons and consumed 243,000 tons. In 1964, she produced 290,000 tons and consumed 255,000 tons. Of course, I am aware of the fact that Venezuela sugar interests estimate that their 1965 production will be 374,000 tons and that they estimate Venezuelan consumption for that year will be 308,000 tons. But, if the past record of production is any indication of the validity of the estimates, I doubt that Venezuela will be in a position to supply 30,000 tons.

India needs everything. She offers the largest market in the free world, but unless she is permitted to sell, she cannot buy. Every dollar that India is permitted to earn through the export of sugar to the United States will be returned to the manufacturers, merchants, and farmers of this country in trade.

India's balance of trade with the United States is most unfavorable, as the following figures demonstrate:

United States-India trade—Balance of trade[1]

[In millions of dollars]

Year	U.S. exports	India exports	Balance
1960	641	228	413
1961	483	252	231
1962	670	255	415
1963	817	295	522
1964	955	305	650

[1] Source: Overseas Business Reports; International Trade Analysis, Department of Commerce.

Among the sugar exporting nations of the world, India is the largest importer of U.S. agricultural commodities. The following figures indicate the extent to which U.S. agricultural products are finding a market in India:

Imports of agricultural commodities into India

[In millions of dollars]

	1961-62	1962-63	1963-64
From all countries	412.44	513.95	457.53
From United States	227.16	270.50	311.93

Imports of certain agricultural commodities into India

[In millions of dollars]

	1961-62	1962-63	1963-64
Wheat imports	197.13	237.49	216.00
From United States	172.00	214.00	208.93
Rice imports	39.33	56.72	42.84
From United States	14.00	25.00	27.76
Cotton	131.59	119.53	102.88
From United States	54.79	38.22	46.68
Corn	6.49	4.03	6.43
From United States	6.49	4.03	6.43
Tobacco	2.39	2.88	1.65
From United States	2.39	2.88	1.65

While it is true that the overwhelming bulk of these commodities are supplied to the people of India pursuant to the terms of Public Law 480, and it is true that Public Law 480 shipments and other U.S. aid accounts for India's deficit in trade with the United States, the fact remains that she cannot buy unless given an opportunity to sell.

As I have said, the people of India need everything. They offer the largest and least developed market in the free world to the people of America, but in order to purchase the goods and services offered by the businessmen and farmers of the United States, they must be permitted to earn U.S. dollars with which to do business. Sugar is the commodity upon which India is largely dependent at the present time in earning dollar revenues. The United States needs sugar, India can supply a part of the U.S. demand. India needs the goods, services, and agricultural commodities of the United States. What is needed is dollars. These can only be obtained by the opportunity to sell.

The sugar industry of India has demonstrated its ability to perform within the terms and purposes of the Sugar Act. As a nation, India is perhaps more dependent upon an opportunity to sell sugar in the United States than any other nation. The dollars produced therefrom aid more people than in the case of any other nation in the world.

Mr. Chairman, it is a well-known fact that India is not located in the Western Hemisphere and while the United States has long evidenced a special interest in those nations which lie in the Western Hemisphere, it is our hope that the members of this committee will not permit considerations of geography alone to rule their decision with respect to the allocation of sugar quotas. The Republic of India represents the largest democratic nation in Asia. The goals, hopes, and wishes of the people of India are the same as those of the people of the United States. The allocation of a 100,000-ton quota to India, such as that provided by the provisions of S. 2567, would do a great deal to help India secure the foreign exchange with which to secure its ideals.

Senator LONG. Thank you for your statement, Mr. Riddell.

Mr. Robert C. Barnard is our next witness. He appears in behalf of the Australia sugar industry.

STATEMENT OF ROBERT C. BARNARD, REPRESENTING AUSTRALIAN SUGAR INDUSTRY

Mr. BARNARD. Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am grateful for the opportunity to appear before this committee for the Australian sugar industry.

Australia wants to expand its trade with the United States. It welcomes the opportunity to supply a part of the U.S. requirements for sugar and hopes that this committee will approve a quota for Australia at least as large as that provided in the administration's bill.

I have a statement that I should like to submit for the record and to summarize the points in support of a quota for Australia.

1. *Australian sugar industry.*—Australia is the free world's largest exporter of sugar. This year Australia will produce 2¼ million tons of sugar, more than two-thirds of which will be exported. Australia's sugar is grown on small family farms averaging 80 acres by 10,000 independent cane farmers located principally in the State of Queensland where the sugar industry is the principal economic activity. In all, several hundred thousand Australians in cane-growing areas depend on the sugar industry for their livelihood.

2. *Reliability.*—During the 1963–64 world sugar shortage, Australia supplied more global sugar to the United States than any other supplier despite the higher price on the world market were the sugar could have been sold. As shown by chart A, Australia supplied over 180,000 tons of global quota sugar in 1963 and over 175,000 tons in 1964. In all, Australia supplied some 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964. The some 220,000 tons per year which Australia supplied to the United States in 1963 and 1964 amounted to over five times the quantity Australia was required to supply under its statutory quota.

3. *Ally.*—Australia was an ally in both World Wars and in Korea. At the present time Australian forces are fighting alongside those of the United States in South Vietnam. In order to support its increased defense expenditures, including those in South Vietnam and Malaysia, the Australian budget has been increased substantially.

4. *Valued customer for U.S. exports.*—Australia's purchases from the United States have increased rapidly in recent years. Since 1958 U.S. exports to Australia have more than tripled from $190 million to $626 million. They are expected to rise to over $700 million in 1965. As chart B shows, America's share of Australian imports has risen from 18.2 percent to 23.9 percent since 1958.

5. *Australia's trade deficit with United States.*—As chart C demonstrates, Australia has suffered a trade deficit in its trade with the United States each year since 1958. Australia's cumulative deficit for the 1958–64 period exceeds $1.1 billion. A projection shows Australia's 1965 trade deficit with the United States exceeds $470 million. The balance-of-payments deficit is more adverse. The large and growing deficit makes it increasingly difficult to support Australia's growing purchases from the United States.

6. *Military equipment.*—These export and balance-of-trade figures, large as they are, do not include the substantial amounts of military equipment which Australia purchases from the United States. Over the next 4 years Australia will purchase over $600 million of military equipment here, including 24 F-111 bombers and 3 guided missile destroyers.

7. *U.S. curbs on Australian exports.*—Although Australia needs to increase its exports to the United States in order to be able to maintain its increasing purchases, U.S. domestic problems have necessitated curbs on major Australian exports. As Australia's third largest

export to the United States, sugar presents an excellent means for the United States to increase its purchases from Australia without any risk of injury to U.S. domestic interests.

8. *Ready supply and speedy shipment.*—As the free world's largest sugar exporters, Australia has developed modern storage and mechanized port facilities. Australia's large storage capacity—total 1.4 million tons—and its mechanized bulk export facilities assure its regular sugar customers of ready supply and speedy shipment. It can load a 15,000-ton cargo in 24 hours as compared with the 3 weeks it takes to load manually.

9. *Australian Government position on sugar.*—In a March 1965 letter to President Johnson, Prime Minister Menzies pointed out that "the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter." On behalf of his government, the Australian Ambassador has recently stated in a letter that "a substantial sugar quota for the Australian industry is a matter of very great importance" to Australia.

10. *Sugar Quota.*—Australia meets all the tests of stability of supply and of reliability, as shown by its global quota deliveries during the 1963–64 sugar shortage. Australia's record demonstrates that as a minimum Australia is capable of and should be permitted to continue to supply a part of U.S. foreign sugar requirements comparable to the some 220,000 tons per year supplied in 1963 and 1964 when sugar was in short supply. Although the Australian quota under the formula of the administration's bill is nearly 25,000 tons less than the 220,000 tons per year supplied in 1963–64, we believe the administration's formula to be fair and reasonable for all concerned.

Australia welcomes the provision in H.R. 11135 which gives Australia some participation in deficit reallocations. In view of the recent world sugar shortage and Australia's large bulk storage facilities, Australian participation in deficit reallocations could have a salutary effect in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the U.S. sugar market.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

(The supplemental statement filed by Mr. Barnard follows:)

SUPPLEMENTAL STATEMENT OF ROBERT C. BARNARD, REPRESENTATIVE, AUSTRALIAN SUGAR INDUSTRY

Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am grateful for the opportunity to appear before this committee for the Colonial Sugar Refining Co. on behalf of the Queensland Sugar Board and the Australian sugar industry including the Australian Cane Growers Association and the Australian Sugar Producers Association.

The Australian sugar industry deeply appreciated the opportunity to supply sugar first accorded it by the Congress in 1961 and 1962. I am glad to be able to report that Australia has been able to show since that time that it is a reliable supplier. In 1963 and 1964, when a shortage forced world sugar prices above U.S. prices, the Australian industry lived up to the confidence placed in it by the Congress by supplying more global quota sugar to the United States in that 2-year period than any other country.

To supply when a higher price could have been obtained on the world market is, I believe, a good index of reliability. I feel confident that this committee and the Congress, in deciding on sugar quotas, will want to take into account Australia's performance as a reliable U.S. sugar supplier.

There are significant reasons, in addition to reliability as a supplier, which demonstrate that Australia merits consideration as a significant supplier of sugar to the United States.

The United States and Australia have always enjoyed very close ties. Aside from their common heritage and the similarities of their political and economic past, the two countries were Allies in both World Wars and in Korea. They have since developed even closer relations as members of ANZUS, the mutual security treaty uniting the United States, Australia, and New Zealand, and as members of SEATO (South East Asia Treaty Organization).

At the present time Australia has troops beside those of the United States in South Vietnam. Since 1962 Australia has supplied military and economic assistance to South Vietnam. Like their American counterparts, Australian soldiers initially acted as battle advisers to South Vietnam units and Australia now has a fighting force in action.

In recent years, the close ties that have joined the United States and Australia as allies have been further strengthened by the rapidly growing trade that is now bringing these two democracies closer together economically. Today, the United States is second only to Great Britain as a source for Australian imports, accounting in fiscal 1965 for over 23.0 percent of Australian imports. Indeed, if the present trend continues, the United States may soon surpass Great Britain as Australia's No. 1 supplier. The chart on the opposite page shows the development of America's share in the Australian market. Between 1958 and 1965 the U.S. share has risen from 13.2 to 23.9 percent.

The real significance of this growth lies in the increase in the actual volume of U.S. exports to Australia. As shown by the chart on the opposite page, U.S. exports to Australia have more than tripled since 1958, rising from $100 to $626 million. Recently, the increase has been even more pronounced—1964 exports to Australia exceeded our exports in 1963 by $189 million, an increase of over 40 percent. A projection of 1965 exports to Australia, based on published figures for the first quarter, indicates that exports to Australia will amount to $737 million, an increase of 18 percent over 1964. It should be emphasized that these figures, large as they are, do not include the substantial amounts of military equipment which Australia purchases from the United States.

Australian purchases from the United States will doubtless continue to grow if Australia's opportunities of earning vital export income from sugar and other major commodities also expand. In October 1963 the Royal Australian Air Force announced it was purchasing 24 American-built F-111 bombers at a cost in excess of $120 million. In all, Australia will purchase over $600 million of military hardware from the United States over the next 4 years including three guided-missile destroyers. These purchases represent a substantial Australian commitment to U.S. exports. In addition, Australia has also made large purchases in the past and is continuing to purchase U.S. aircraft for its overseas and internal airlines.

Australia purchases not only military hardware but also agricultural and other goods. Among the sugar-quota countries, Australia is one of the United States best customers for agricultural goods and otherwise. The United States is also a major supplier of a wide range of materials and equipment for Australian industry such as machinery, chemicals, vehicles, and sulfur.

U.S. exports are growing and the United States enjoys a very favorable balance of trade with Australia. In 1964, as shown by the chart on the opposite page, Australia suffered a deficit of $352 million in its trade with the United States. One index of the growing U.S. trade is the fact that Australia's trade deficit in 1964 was almost triple that of 1963. Australia's cumulative trade deficit for the period 1958-64 exceeds $1.1 billion. The trade position during 1965 shows even further deterioration. Projections of published U.S. trade figures for the first quarter of 1965 indicate that the calendar 1965 deficit will exceed $470 million. This estimate is probably conservative inasmuch as the adverse balance of trade during the Australian fiscal year ended June 30, 1965, has risen to $471 million.

In order to maintain its purchases from the United States, Australia must depend on exports. From the point of view of world trade, Australia has much in common with the developing countries inasmuch as its foreign trade is largely dependent upon exports of agricultural and mineral commodities. While the subject is not before the committee, it may be noted that the United States for domestic reasons has limited U.S. purchases of important Australian export products. These limitations have widened Australia's trade deficit with the United States and have made it increasingly difficult for Australia to support its growing purchases from the United States.

As Australia's third most important export to the United States, sugar offers a good way for the United States to increase its imports from Australia without any risk of injury to U.S. domestic interests.

In a large sense, sugar imports will benefit all U.S. exporters and Australia. Australia's sugar is grown and milled primarily in the State of Queensland, where the sugar industry is the principal economic activity. The 10,000 independent cane farmers have individual farms averaging 80 acres, and on 80 percent of these farms, no other crop can be grown economically. The farmers themselves cooperatively own 13 of Australia's 34 sugar mills. In all, several hundred thousand Australians in sugar-growing areas alone depend on the sugar industry for their livelihood. And, in fact, the sugar industry is important to the entire Australian economy.

The development of the sugar industry in Queensland has brought about intensive settlement along 1,300 miles of Australia's tropical northeast coast and the development of roads, airfields, ports, and communications. The development by the sugar industry of this isolated area of the South Pacific is of strategic importance to Australia, the United States, and the rest of the free world. Indeed, it was facilities developed for the sugar industry in Queensland which assisted General MacArthur to mount speedily the offensive that turned the tide in the Pacific in World War II.

The Australian sugar industry is one of the most efficient in the world. This year its production will be about 2¼ million tons of raw sugar, and more than two-thirds of this production will be exported. Australia has become the free world's largest sugar exporter.

As the free world's largest sugar exporter, Australia has developed modern mechanized bulk export facilities. Since 1963, bulk sugar storage capacity at Australia's six sugar ports has been increased more than 75 percent and now has a capacity of 1.4 million tons. This is almost 60 percent of total production. These six sugar ports are fully mechanized. This permits a 15,000-ton cargo to be loaded in less than 24 hours as compared with the 3 weeks that it takes to load such a cargo manually. The bulk terminals are operated by permanent sugar industry employees only and since the first bulk terminal came into operation in 1957, there has never been a delay in a sugar shipment from these ports due to a labor dispute or any other cause. These bulk terminals and mechanized loading facilities assure Australia's regular sugar customers of ready supply and speedy shipment.

I said at the outset that the Australian sugar industry offers the United States the advantages of a stable, reliable supplier. Let me give you some of the facts about the period when the world price rose above the U.S. price. During the 1963–64 sugar shortage, the Australian sugar industry committed more global quota sugar to the United States than any other country in the world. As shown on the chart opposite, Australia supplied 355,000 tons under the global quota during the 1963–64 period—180,000 tons in 1963 and 175,000 in 1964. This represented 10.5 percent of the global quota sugar supplied in 1963 and 17.6 percent in 1964. In each of these years Australia not only filled its statutory quota, but made global shipments totaling more than four times its statutory quota. In all, Australia supplied the United States with 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964.

On a long-term basis Australia can make available 400,000 short tons of raw sugar each year for the United States without expanding existing acreage or mill facilities and still meet the needs of other established markets. Although we are willing and able to supply this amount of sugar to the United States, we are hesitant to propose a specific figure as a fair quota for Australia. However, in his letter to President Johnson on March 12, 1965, Prime Minister Menzies pointed out that "the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter." We have also recently received a letter from the Australian Ambassador stressing on behalf of his Government that a "substantial sugar quota for the Australian industry is a matter of very great importance" to Australia. Appended hereto are copies of both of these letters.

Australia's record demonstrates that as a minimum Australia should be permitted to continue to supply a part of the U.S. foreign sugar requirements comparable to the some 220,000 tons per year which it supplied in 1963–64, when sugar was in short supply. Although the Australian quota under the formula for allocating foreign quotas proposed by the administration is nearly 25,000 tons less than the some 220,000 tons per year which Australia delivered in the 1963–64 shortage period, we believe the administration's proposal to be both fair and reasonable for all concerned.

Australia welcomes the provision in H.R. 11135 which permits Australia some participation in deficit reallocations. Certainly its storage facilities and record for reliability recommend Australia as a reliable source from which to fill U.S. sugar deficits. In view of the recent world shortage, I believe the committee will wish to consider the salutary effect Australia deficit participation would have in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the U.S. market.

To summarize briefly:

1. *Reliability.*—In both 1963 and 1964, the Australian industry supplied some 220,000 tons of sugar per year to the U.S. market, despite the fact that higher prices could have been obtained on the world market.

2. *U.S. export market.*—Australia is a valued and significant customer, whose purchases from the United States have increased rapidly in recent years.

3. *A significant customer of the United States.*—Among the full duty countries, Australia is the second largest cash purchaser from the United States both of agricultural products and other goods.

4. *U.S. favorable trade balance.*—The United States had a favorable balance of trade with Australia of over $352 million in 1964 and a cumulative favorable balance of $1.1 billion for the period of 1958–64. For Australia this large and growing trade deficit makes it increasingly difficult to support its growing purchases from the United States.

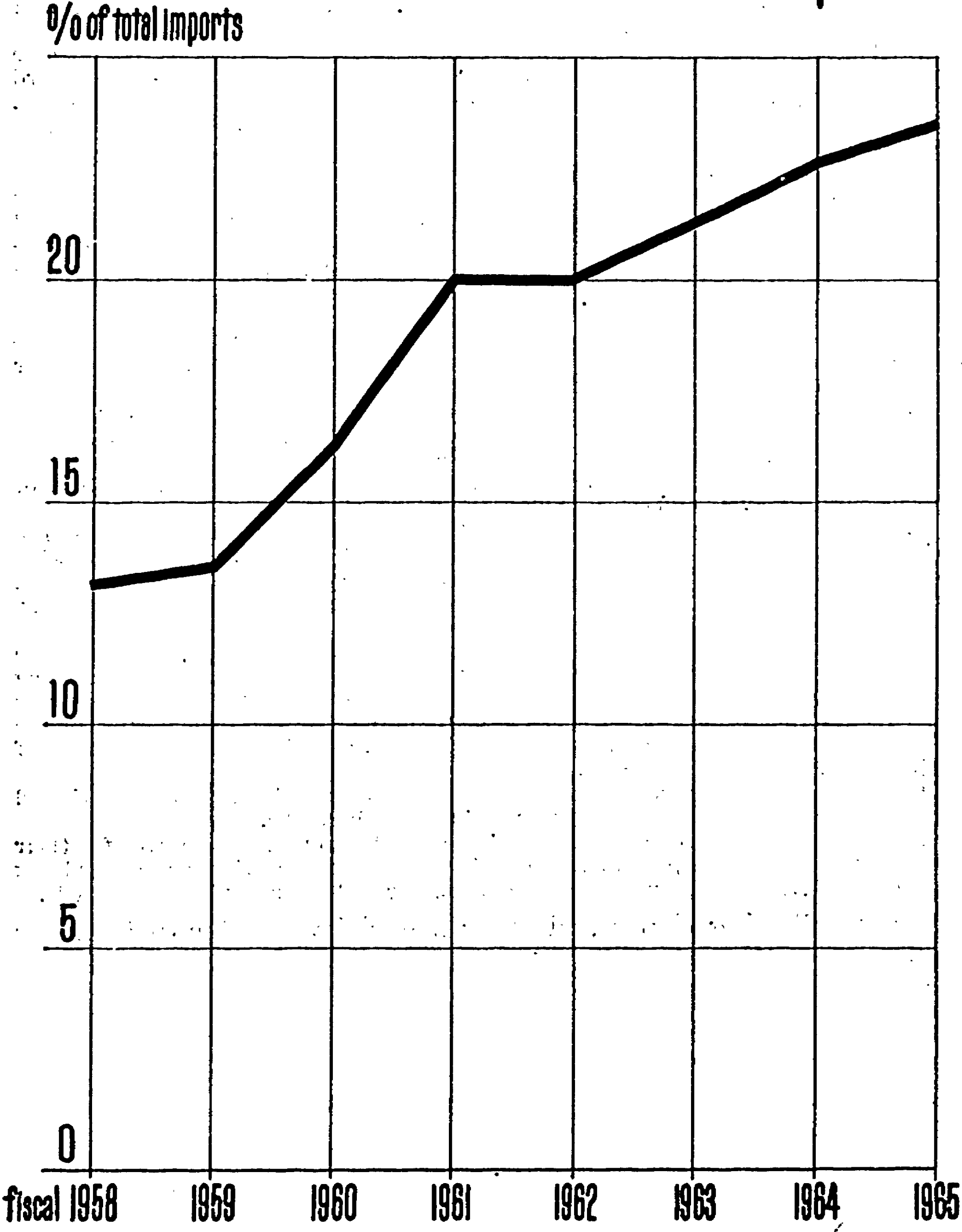
5. *Significance of sugar to Australia.*—Although Australia needs to increase its exports to the United States in order to be able to maintain its increasing purchases, U.S. domestic problems have made it necessary to curb purchases of certain major Australian exports. Sugar presents an excellent means for the United States to increase its purchases from Australia without any risk of injury to U.S. domestic interests.

6. *Ally.*—Australia is a valued ally that has cooperated fully with the United States in the defense of southeast Asia and the South Pacific.

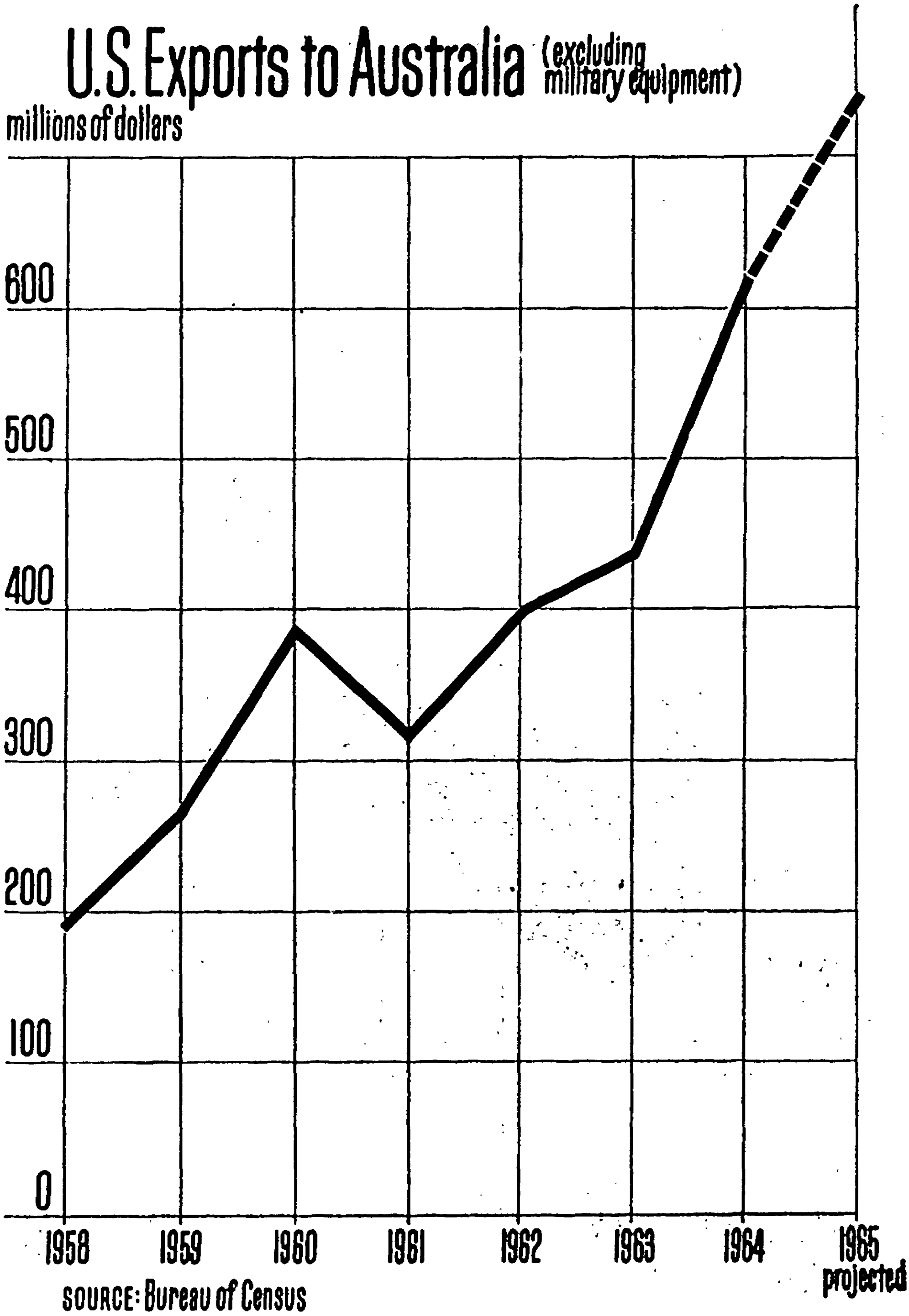
May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of American's sugar needs on a regular and mutually beneficial basis.

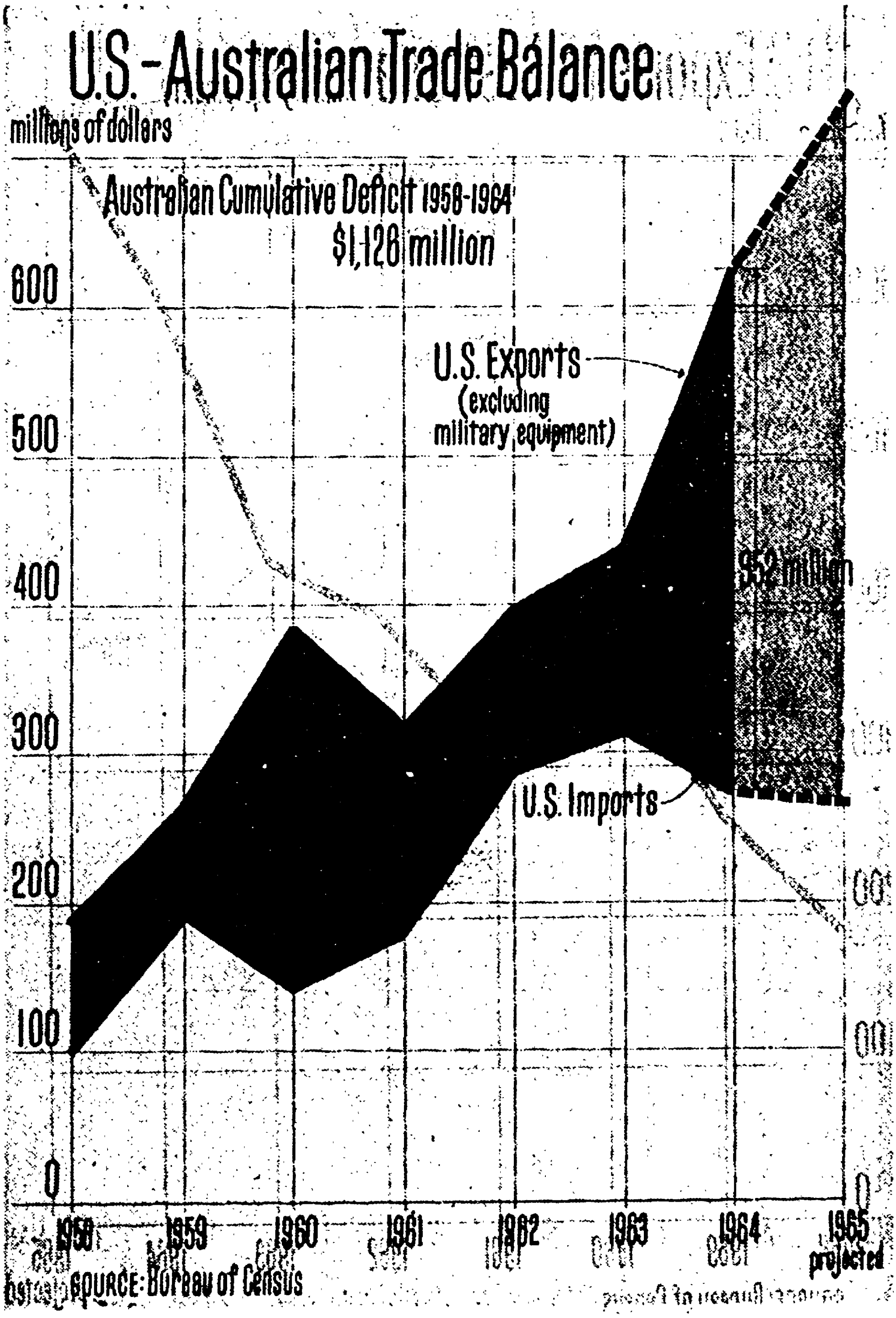
(The following charts and other material was submitted for the record:)

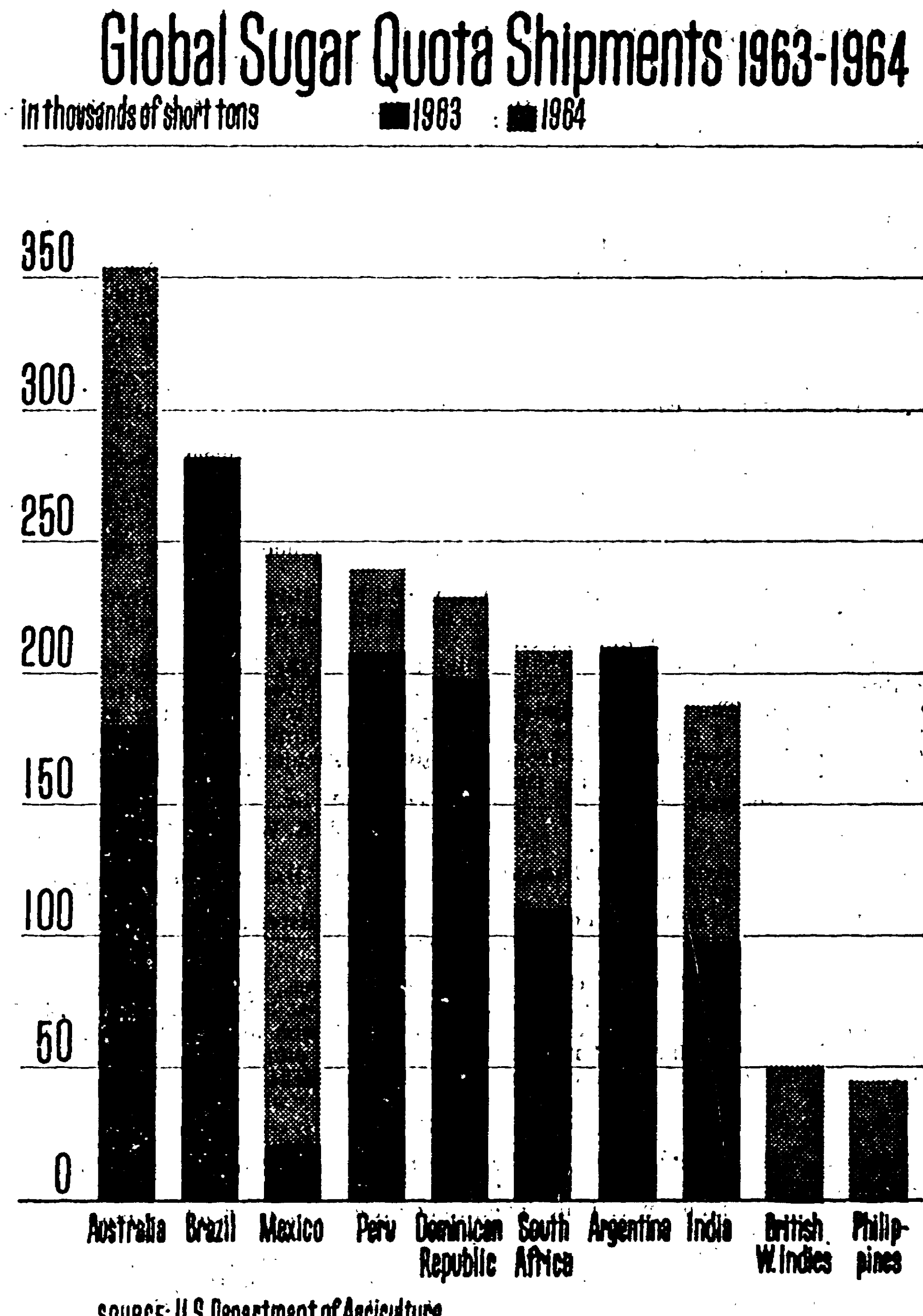
United States Share of Australian Imports



SOURCE: Commonwealth Bureau of Census & Statistics; Canberra, Australia


U.S. Exports to Australia (excluding military equipment)
millions of dollars
600
500
400
300
200
100
0
1958
1959
1960
1961
1962
1963
1964
1965 projected
SOURCE: Bureau of Census


U.S.-Australian Trade Balance
millions of dollars
Australian Cumulative Deficit 1958-1964
$1,128 million
600
500
400
300
200
100
0
U.S. Exports
(excluding
military equipment)
352 million
U.S. Imports
1958
1959
1960
1961
1962
1963
1964
1965
projected
SOURCE: Bureau of Census



AUSTRALIAN EMBASSY,
Washington, D.C., August 18, 1965.

Mr. ROBERT C. BARNARD,
Oleary, Gottlieb, Steen & Hamilton,
Southern Building, Washington, D.C.

DEAR MR. BARNARD: Thank you for your letter of August 18. You may be assured that the question of a substantial sugar quota for the Australian industry is a matter of very great importance to my Government.

It is the view of the Australian Government that entitlement to an adequate quota for the Australian industry can be justified entirely on the grounds of commercial equity and the ability of the Australian industry to compete with other world producers. I would emphasize here that the Australian industry, which is stable and well organized, enjoys an enviable international reputation as an efficient and reliable supplier.

It will be recalled that during the recent world shortage of sugar the Australian industry made special efforts to meet the difficulties of the United States, often at prices lower than could have been obtained on the world market. In fact, Australia was the major foreign supplier under the global quota allocations which operated over the period 1962 to 1964. However, I feel obliged to point out that the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

In addition there are, of course, other relevant considerations. For instance: The development of some 1,300 miles of the northeastern coastline of Australia—a strategically important area—has been virtually based on the sugar industry and the continued development of the region depends very largely on this industry.

In a world of regulated markets, the need for assured access to the world's largest market must continue to be a matter of vital concern to both the Australian Government and the domestic industry.

You will also be aware of the close trade ties existing between Australia and the United States. Over recent years there has been a rapid expansion of U.S. exports to Australia, which is the fastest growing of the U.S. major commercial markets. However, Australia has found that its efforts to expand exports to the United States of major Australian commodities have often been impeded.

A substantial sugar quota for Australia would be a direct and material recognition of the high value to be attached to sound and enduring economic relations between the United States and Australia.

You will no doubt be aware that earlier this year the Prime Minister wrote to President Johnson on certain subjects of mutual interest to the United States and Australia. The Prime Minister's letter referred to some of the matters I have mentioned. I am therefore attaching for your information a copy of this letter and of the reply received from the President, which were reported to the Commonwealth Parliament at the time.

Yours sincerely,

J. K. WALLER, *Ambassador.*

UNITED STATES-AUSTRALIAN FINANCIAL RELATIONS—BALANCE OF PAYMENTS

Exchange of letters between the Australian Prime Minister and the President of the United States

In the Australian Federal House of Representatives, Canberra, on April 1, 1965, the Australian Prime Minister, Sir Robert Menzies, laid before Members of the House a letter he had written to President Johnson on March 12 and the President's reply of March 24 relating to the possible effects of measures taken by the U.S. Government to improve its balance-of-payments position.

AUSTRALIAN LETTER

The text of the letter of March 12 Sir Robert Menzies sent to President Johnson was as follows:

"MR. PRESIDENT: This note is designed to be direct and clear, as it should be in a communication to one whose friendship I value, and whose sympathetic understanding of Australia and her problems we have great reason to appreciate.

"Since you informed Congress on February 11, 1965, of the measures you proposed to take to improve the external payments position of the United States I have been studying, with my colleagues in the Australian Government, the likely effects of those measures upon our situation, abroad and at home.

"So far as we can see, Australia does not come within the several reservations stated by you and designed to lessen the impact of your measures upon various countries such as Canada, Japan, the United Kingdom, and others more generally described as developing countries.

"I feel I should say to you that while we fully and warmly understand the reasons for the action your administration is taking to deal with its balance-of-payments problem, we fear that this action as it now stands could have adverse effects on Australia which we imagine it would be no part of the U.S. intention to inflict.

"When the interest equalization tax was first announced, we pointed out to the U.S. administration our interests in the matter but did not seek exemption from it.

"Amongst other reasons, we wanted to avoid the embarrassment this might have caused your administration in its negotiations with certain other countries on this matter.

"We do not seek exemption from the tax now, but we do wish to bring to your notice the facts of our economic situation which will be relevant to the administration of the system of voluntary restraint to which U.S. investors are being asked to conform in making decisions about investments abroad.

"Australia is not a 'developed' country in the sense that the mature, capital-exporting and highly industrialized countries of Europe are developed.

"On the contrary, we have an immense task of developing a relatively under-populated continent which, while rich in some resources, presents in other respects most formidable difficulties of climate, terrain, and distance.

"As yet we have a population of little more than 11 million people. Like the United States in earlier years, we are endeavoring to build our numbers up by large-scale immigration. But this effort necessarily adds to our capital needs.

"Although by now we have achieved a large and varied production of goods, and in fact generate from our own savings more than four-fifths of the capital we require, we must perforce rely heavily on export earnings and on capital inflow to obtain abroad additional resources for growth.

"Australia is a free enterprise economy that has welcomed private overseas investment and treated it with exactly the same consideration that it gives to private investment of Australian origin.

"Moreover, Australia has joined with other free world countries in measures to promote freer international trade and payments and, to this end, maintain an 'open' economy with practically no quantitative restrictions on imports and no restrictions on current payments.

"Although subject to formal control, repatriation of capital invested in Australia is not, in practice refused. Being predominantly an exporter of primary products, Australia experiences large fluctuations in the amount of her export receipts and, being in a phase of rapid development, normally has a deficit in her current balance of payments. Though this varies from one year to another, it has to be covered by net capital inflow. By far the greater part of this has comprised private overseas investment in Australia.

"In the 8 years from 1956–57 to 1963–64 the accumulated deficit on current account amounted to $2,417 million.

"During that period, the annual inflow of private overseas investment (including undistributed income) in companies in Australia totaled $3,022 million, of which $1,147 million came from the United States and Canada—most of it from the United States.

"Ordinarily Australia has a large current account deficit with the United States. In 1962–63 Australia's exports to the United States totaled $297 million while her imports from the United States amounted to $478 million. Her net invisible payments to the United States in that year were $181.2 million, giving a deficit on current account of $362.2 million.

"In 1963–64, with exports of $312.9 million, imports of $559.9 million and net invisible payments of $194.7 million, her current account deficit with the United States rose to $441.7 million.

"In the half year to December 1964 Australia's recorded exports to the United States were $153.2 million compared with $180.3 million for the same period of 1963, a decline of 15 percent; whereas Australia's recorded imports from the United States increased as between these two periods from $273.7 million to $392 million, a rise of 43 percent.

"In this connection, we feel constrained to point to the contrast between the rapid expansion of U.S. exports to Australia—Australia now being the fastest growing of the U.S. major commercial markets—and the manner in which U.S. policies impede Australian efforts to expand exports to the United States of some major Australian export commodities.

"The United States, alone among major trading countries, maintains a very high tariff on raw wool, despite many representations and negotiations aimed at reduction or elimination of duty; quotas imposed on lead and zinc in 1958 remain unchanged despite a greatly improved world market situation; U.S. domestic legislation imposes limitations on, and creates uncertainties for, the Australian export trade in meat; the continuance of access for Australian sugar is uncertain and the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

"In 1963–64 these commodities accounted for 81 percent of total Australian exports to the United States. They are the products on which Australia must chiefly depend if a significant expansion of exports to the United States is to be achieved and if the progressive deterioration in our trade and payments balances with the United States is to be arrested and redressed. Yet, with respect to each of them, U.S. restrictions of one and of another prevent or impede expansion.

"This current account deficit with the United States has been offset in part by capital inflow from the United States, most of it on private account.

"In 1962–63 the annual inflow from the United States and Canada (by far the greater part being from the United States) of private overseas investment (including undistributed income) in companies in Australia was $201.6 million, and this increased to $220.2 million in 1963–64.

"In the latter year, the inflow from the United States and Canada was not far short of half of the total of $481.6 million of private overseas investment in companies in Australia.

"To turn now to our immediate situation, it is a fact that in 1963–64 Australia's export production was high and for most exports reasonably good prices were received. Capital inflow was strong and our external reserves were strengthened.

"For the present financial year, however, the prospects are much less favorable. Export prices have fallen, local demand for imports has been strong and, although capital inflow has been fairly well sustained, it is certain that substantial drawings will be made on our external reserves. These seem certain to decline over the year as a whole by appreciably more than A£100 million ($224 million). For the financial year ahead, the signs point to a continued drain on our external reserves.

"We have greately enlarged our defense programs and this will entail substantial additions to overseas payments for defense equipment and supplies.

"Overseas expenditure in 1965–66 and later years arising from existing defense commitments and the new 3-year defense program is estimated at about A£400 million (or the equivalent of about $880 million), of which about A£250 million (or some $550 million) will relate to procurement in the United States.

"Although recent arrangements reached with you to phase payments for some major items over a longer period will ease the burden to some extent, it will still be considerable. At the time we undertook these commitments we had no reason to anticipate taht our payments position vis-a-vis the United States would be altered for the worse by action of the kind you have since announced.

"An additional consideration is the Australian Government has commitments of nearly $200 million in the United States over the next 5 years in respect of debt maturities and sinking fund commitments. This figure is exclusive of installation repayments of approximately $130 million due to the International Bank over that period.

"Although a relatively large-scale importer of capital, Australia is nevertheless a donor and not a recipient of international aid.

"Australia has, in fact, played her full part in various international aid arrangements and also provides a considerable amount of aid, both civil and military, on a bilateral basis to less developed countries.

"The development of Papua and New Guinea is a prime Australian responsibility and one that is making large and increasing calls on Australia's resources. Requests for additional aid are being received from other developing countries as well and, in most cases, are met to the best of our ability. Our recent gift of wheat to India worth nearly $9 million is a case in point. These all add to the pressures on our external resources.

"In what at present appears to be a deteriorating balance-of-payments situation, any substantial falling off in capital inflow would be a matter of serious concern to the Australian Government.

"Furthermore, since we hold the bulk of our external reserves in sterling, any drawings we have to make on our reserves will tend to increase Britain's balance-of-payments difficulties which are, of course, a matter of international concern.

"In drawing attention to these facts, the Australian Government hopes that in setting overseas investment targets for U.S. banks and other businesses, the administration will take full account of the Australian situation and will not take action likely to result in any substantial reduction in the flow of private American capital to this country.

"This is not to say that we would oppose the issue by U.S. investors of some equity capital in their subsidiaries here to finance new investment in this country: indeed it would accord with an attitude we have frequently expressed.

"We have made it clear on many occasions in the past that we think it desirable for oversea investors to take in Australian investors as partners in businesses established in Australia. On the other hand, however, we would be troubled and embarrassed if U.S. investors were to begin repatriating capital, substantially increasing the proportion of profits remitted or adding largely to their fixed-interest borrowings or other forms of capital-raising in Australia which gave Australian investors no equity share in the businesses in question.

"Development such as these could very well force upon us the need to reconsider the policies we have hitherto followed in these areas. This we should regard as regrettable in the extreme, especially if it resulted in a conflict of policies, with subsequent confusion in, and disruption of, established and greatly valued financial and commercial relationships between our two countries.

"Our own policies in these important fields have, we believe, had the encouragement and approval of successive U.S. administrations.

"We should like to think that it will be possible to continue them without detriment to ourselves and without impairing the effect of the policies you find necessary to strengthen your own balance of payments and uphold the world standing of the dollar.

"I am, Mr. President, and with warm personal regards,

"Yours sincerely,

"R. G. MENZIES."

U.S. PRESIDENT'S REPLY

The text of President Johnson's reply of March 24 was as follows:

"DEAR MR. PRIME MINISTER: We have now had a chance to give careful study to your letter of March 12 concerning the effect on Australia of our balance-of-payments program.

"We fully understand the importance that your Government attaches to this matter, and appreciate the frankness with which you expressed your concern.

"I am grateful, too, for your sympathetic understanding of the reasons which impelled us to take forceful action.

"We think it fair to claim that because of the special role of the dollar in international monetary arrangements, early and substantial imporvement in the U.S. balance of payments is in the interest not only of the United States, but also of the entire free world.

"We are determined to eliminate the U.S. international deficit, and I am happy to be able to say that the February 10 program already appears to be taking hold.

"We understand, of course, that external capital is of great importance to Australia.

"In terms of the high standard of living of the Australian people, and the remarkable pace of advance during the past decade, Australia must be counted one of the advanced countries of the world. But as you point out, yours is a country with a great potential for further development.

"As an old friend and ally, we have watched with admiration your record of achievement, and we know the importance of continued Australian success. We attach high value to the good economic relations between Australia and the United States.

"In the present instance, we believe, after careful review, that our balance-of-payments program is not likely to have a serious adverse effect on the Australian economy.

"The part of the program supervised by the Secretary of Commerce is designed to avoid any undue disruption in the growth of sound business relationships.

"Indeed, I understand that certain large direct investments in the production of iron ore in Australia are planned for the near future. And in the case of loans by our banks and financial corporations, we intend to emphasize primarily the need to curb the outflow of such funds to industrialized countries already rich in reserves.

"We believe, therefore, that this program will not impose undue strain on Australia. But it is always possible that specific actions under a program of this sort can have consequences for a friend that outweigh their value to the general program.

"I have asked the Secretary of the Treasury and the Secretary of Commerce to give a careful hearing to Australia's view in any particular case which might be of this sort.

"On our general commercial relations, I can assure you again that a reduction in trade barriers, in agriculture as well as in industry, is a prime objective of U.S. policy.

"As I wrote you last August, our negotiators in the Kennedy round will bend every effort to help bring the Geneva negotiations to a successful conclusion.

"Again, let me thank you for your letter and for your forthright statements of views.

"Sincerely,

"LYNDON B. JOHNSON."

Senator LONG. Thank you, Mr. Barnard.

Our next witness is Mr. Seymour S. Guthman, on behalf of the sugar producers of the Malagasy Republic.

STATEMENT OF SEYMOUR S. GUTHMAN, REPRESENTING THE SUGAR PRODUCERS OF THE MALAGASY REPUBLIC

Mr. GUTHMAN. My name is Seymour S. Guthman. I am a lawyer with offices here in the District of Columbia. I have requested the privilege of appearing before your committee at these hearings on H.R. 11135 in behalf of the sugar producers of the Malagasy Republic.

We are in full agreement with the recent remarks and viewpoint of Senator Russell B. Long, as expressed in the Congressional Record of September 29, 1965, regarding the proposed amendments to the Sugar Act. Senator Long voiced our thoughts on the subject when he so ably pointed out the desirability and the common courtesy on the part of the United States to recognize and adequately reward those sugar-exporting countries which cooperated with our Government only 2 short years ago at a time when there was a worldwide shortage of sugar. Indeed, as Senator Long stressed, and I quote:

> Those who came to our help in our hour of need were assured that they would not be forgotten when the situation reverted to a surplus supply of sugar in the world.

The Malagasy Republic is one of those countries which did come to the help of the United States "in its hour of need." In fact, without hesitation the Malagasy Republic offered 11,500 tons of sugar to the U.S. market in November of 1963 which was shipped in early 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of the said country's export supply.

This was done even through the world sugar prices were then higher than U.S. prices. This was done, too, even though the Malagasy Republic, unlike many other sugar-exporting countries, did not have a "historic obligation" to the United States. Nevertheless, out of friendship, it chose to help the United States to the maximum of its ability at a time when such help was needed.

In more recent years, as Senator Long also correctly pointed out, the U.S. offshore sugar requirements were spread generally among friendly nations with which our country has traditionally had close, friendly ties.

U.S. relations with the Malagasy Republic, which achieved independence in 1960, are now, and traditionally have been, on a close and friendly basis. Indeed, in international affairs the Malagasy Republic has identified and alined itself with the principles and goals of the free, democratic world. It has been one of the major offshore elements in the all-important satellite tracking station complex which the United States has established throughout the world and this participation has continued despite a great deal of misunderstanding as to the purposes of such stations.

The Malagasy Republic has a stable, democratic government with universal direct suffrage. Its 6 million people occupy the world's fourth largest island comprising 228,000 square miles. It is off the east coast of Africa and is considered to be part of Africa. Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar.

The Malagasy Republic is the only newly independent country of Africa that is now participating in the sugar trade of the United States. It is our understanding that many observers believe that the response of our Government to this modest request for a sugar quota for the Malagasy Republic will be considered as an indication of the way in which the United States intends to deal with the serious economic problems of Africa.

For the reasons stated in this brief presentation, and more elaborately set forth in our detailed statement, herewith attached, it is respectfully urged that consideration be given to granting quotas in accordance with the sacrifice and good will evidenced in 1963 and 1964, rather than by use of a mathematical system alone, which no matter how carefully considered cannot reflect the true state of affairs.

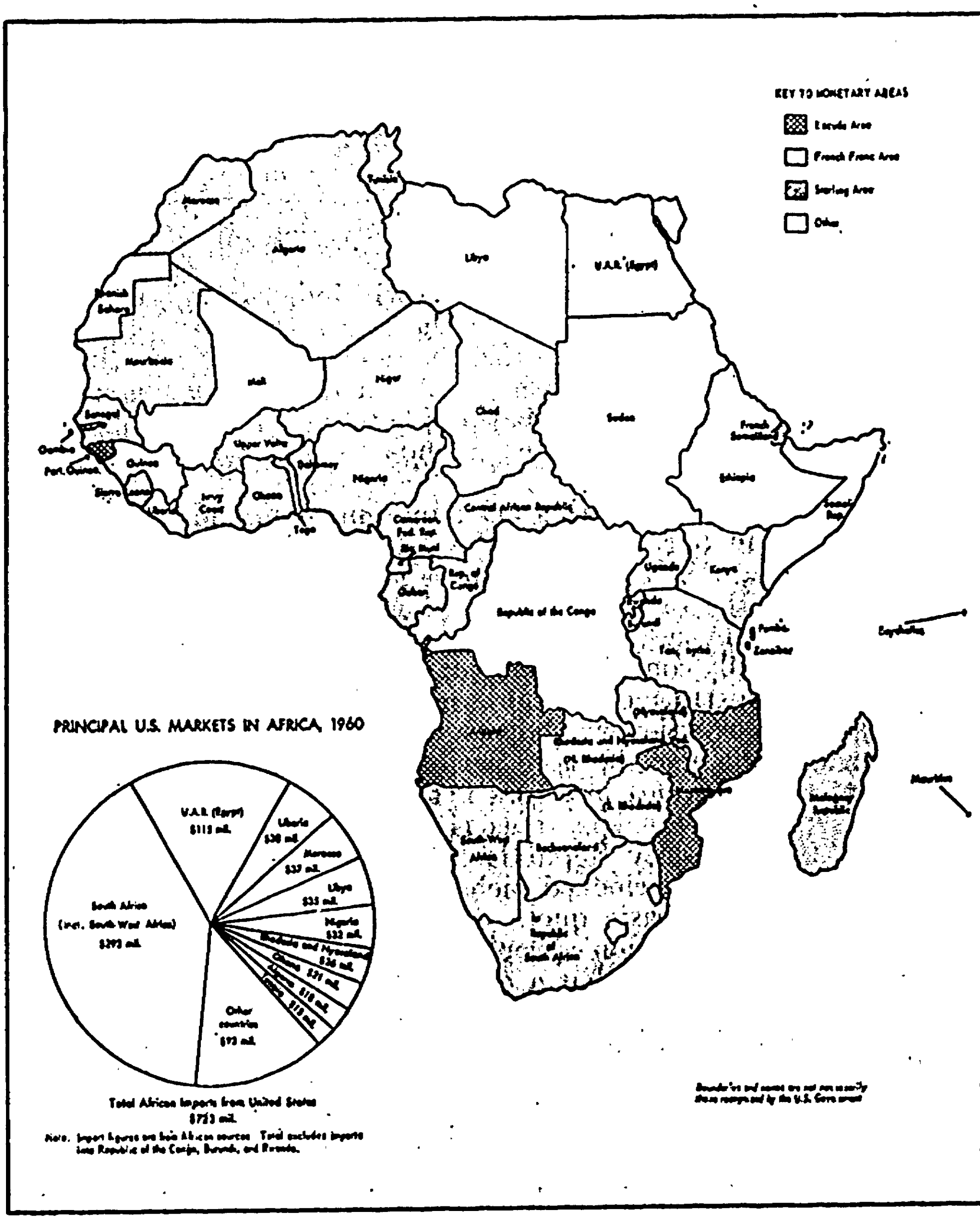
While the administration bill endorses in principle the desirability of rewarding those countries which came to the assistance of the United States during the sugar shortage period of 1963 and 1964, it is our feeling that the said measure does not fully take into account the intent and spirit of the spontaneous and willing cooperation put forward by the Malagasy Republic. And much to our amazement, H.R. 11135 virtually overlooked such cooperation by assigning to the Malagasy Republic a basic quota even less than the quota recommended in the administration's proposal.

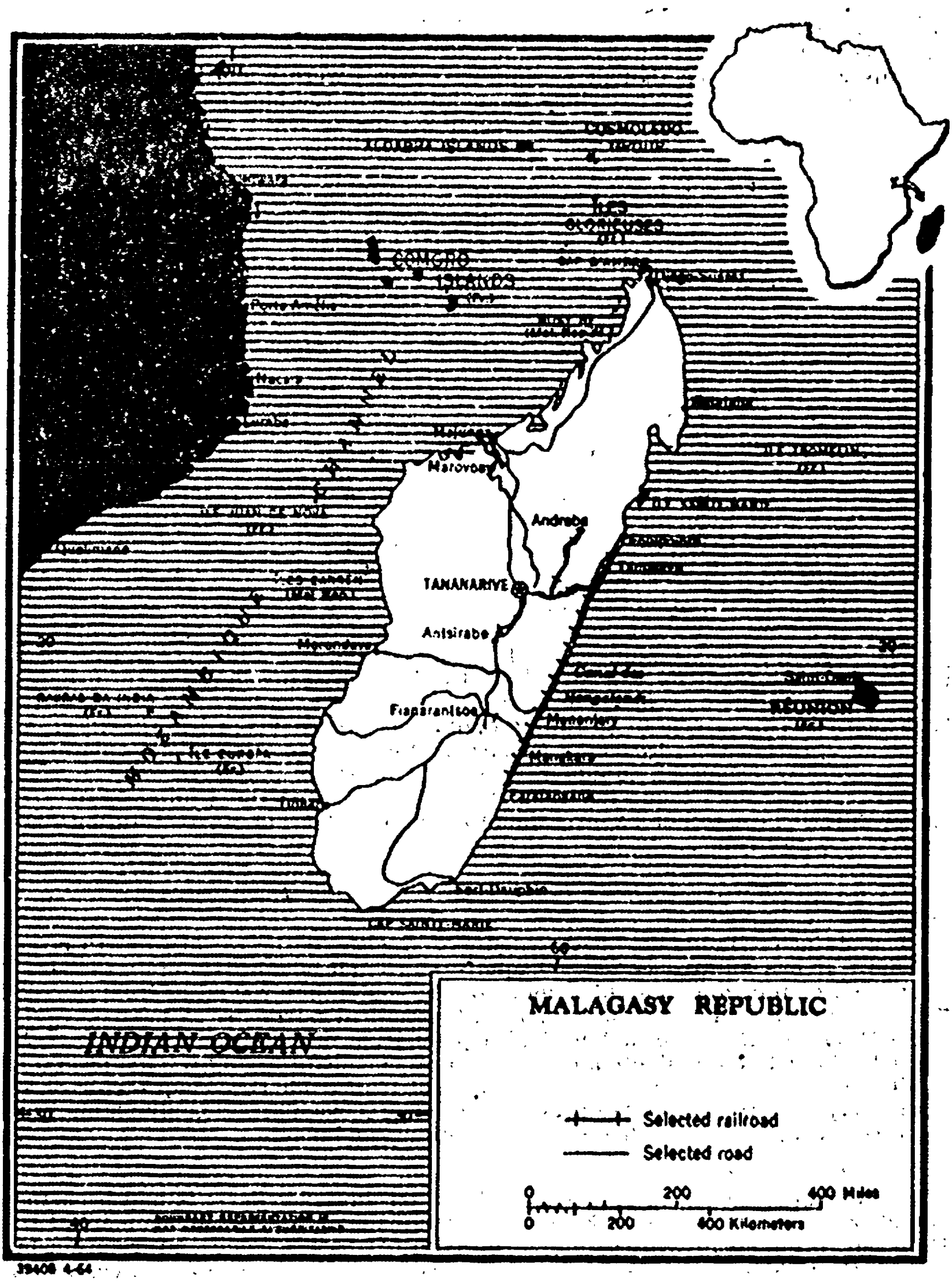
We respectfully submit that a quota of 11,500 tons, based on the actual offering of 17,000 tons in response to the U.S. request in 1963, would be more in line with the administration's objective, and what we believe to be the consensus of the U.S. Congress; i.e., to give just reward where earned. In fact, the extent and relative magnitude of the Malagasy Republic's sacrifice in this regard would justify a much higher quota.

I greatly appreciate and thank the committee for granting me the time to make this presentation.

(The supplemental statement filed by Mr. Guthman follows:)

THE MALAGASY REPUBLIC AS A SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA





SUMMARY

The U.S. sugar needs

On November 5, 1963, when there was a world shortage of sugar and the U.S. sugar supply from foreign sources was in doubt, the U.S. Department of State sent a letter to the Foreign Minister of the Malagasy Republic asking the Malagasy Republic to ship sugar to the United States during 1964. The letter indicated that the response would be given consideration in establishing new quotas under future sugar legislation.

The Malagasy Republic responded quickly and generously

Without hesitation, 11,500 tons of sugar were offered to the U.S. market in November of 1963 and shipped in 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of this country's export supply.

This was done even though world sugar prices were higher than U.S. prices. Thus, this action meant a serious financial loss to the Malagasy Republic.

In the sugar field, the Malagasy Republic, unlike many other countries, did not have a "historic obligation" to the United States, yet out of friendship it chose to help.

In 1965, in recognition of the Malagasy Republic's response to U.S. needs in the prior year, the U.S. administration assigned the Malagasy Republic an entitlement to export 7,586 tons of sugar to the United States. This entitlement was far less than the quantities the Malagasy Republic held for the United States and shipped in 1964. It, in fact, was only a partial cargo, involving additional shipping costs.

Malagasy Republic is a new independent African nation

This country achieved independence in 1960. It has a stable democratic government with universal direct suffrage. In international affairs the Malagasy Republic has identified and alined itself with the principles and goals of the free, democratic world.

Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar, coffee, vanilla, and spices. The United States is the Malagasy Republic's second largest trading partner. Between 1960 and 1964 U.S. exports to the Malagasy Republic almost doubled.

Position of Malagasy Republic

The Malagasy Republic is the only newly independent country of Africa that has participated in the sugar trade of the United States. It believes that U.S. response to its modest requests will be interpreted by other African countries as an indication of the way in which the United States intends to deal with the serious economic problems of Africa. For this reason it is urged that serious consideration be given to granting quotas in accordance with the good will evidenced, rather than by use of a mathematical system alone which, no matter how carefully weighted, cannot reflect the true state of affairs.

Accordingly, it is requested that the Government of the United States consider granting a minimum yearly quota of three cargoes of sugar, totaling 30,000 short tons, raw value.

SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA

General

The Malagasy Republic, often called Madagascar, is the world's fourth largest island. It has an area of 228,000 square miles and is approximately the size of France, Belgium, and Holland combined. It is less than 200 miles from the coast of east Africa and is considered, for all practical purposes, as part of Africa. The Malagasy Republic in 1964 had a population of 6 million. Its economy is based primarily on production of agricultural commodities and related processing industries such as sugar factories, meat and fruit canneries, soap factories, etc. Other types of industries are beginning to emerge such as assembly plants in the electrical and automotive fields, textile clothing, and plastics.

Political and economic

This country achieved full independence on June 26, 1960; it had been for a number of years a colony of France. It retains many of its old commercial ties, but has been steadily expanding its political and commercial relationships with other countries in the free world. Its main products are coffee, vanilla, sugar, pepper, cloves, and rice. It is one of the largest African and world producers of coffee. It is also a significant producer of sugar, with approximately 125,000 tons of sugar per year. It has additional land suitable for production of sugarcane and has been seeking to extend its market in this area to provide sustenance for its growing population.

The Malagasy Republic has a stable democratic government. It has universal direct suffrage. Since its independence in 1960 its emergence into the status of political independence has been characteristized by stability and responsibility. There have been no revolutions, no uprisings, and the transition to independence has been achieved in an orderly manner.

Relationships with the United States

There have always been close and warm political and trade relations between the Malagasy Republic and the United States. The Malagasy Republic, especially since achieving independence, has endeavored to identify itself with the hopes and aspirations of the entire free, democratic world.

Its activities in the United Nations and its regular and unceasing concern with such matters as the atomic test ban treaty, the recognition of various countries of the world, have been of a nature so as to win for itself within the United States a reputation of being "most cooperative."

The Malagasy Republic has been one of the major offshore elements in the satellite tracking station complex that the United States has established throughout the world, and this participation has continued despite a great deal of misundersanding as to the purposes of such stations.

Education

The Malagasy Republic's educational system is moving toward complete literacy. The new university of Madagascar is at the head of a public system of 150 technical schools, 38 secondary schools, and 2,500 primary schools with a total enrollment of just under 500,000. There are a number of private schools and many of the Republic's more than 2 million Christians are also trained in church primary, technical, and agricultural schools.

The literacy rate in the Malagasy Republic is one of the highest among the African nations—an overall rate of 35 to 40 percent, and as high as 60 percent in Tananarive.

Foreign trade

Madagascar's foreign trade, imports and exports, is in good part with France. However, the second largest country trading partner of Madagascar is the United States. Since independence in 1960, U.S. exports to Madagascar have expanded dramatically. In 1960 U.S. exports to Madagascar were valued at $2,491,391; in 1964 U.S. exports almost doubled, to slightly over $3,950,000. This expansion of trade to Madagascar has occurred both in the industrial area and for U.S. surplus agricultural commodities. This major expansion in export trade took place while U.S. imports from Madagascar were expanding also, but at a lesser rate of increase.

Sugar economy of the Malagasy Republic

Madagascar sugar production has expanded significantly since 1954. The country now has not only become self-sufficient, but has started exporting significant quantities of sugar. Sugarcane is grown throughout the island, but its industrial production is limited to several growing regions in the west (Namakia, near Majunga), the northwest (Ambanja, the island of Nossi-be, and Ambilobe), and on the east coast (Brickaville and Tamatave). The cane is processed in factories at Namakia, Nossi-be, Ambilobe, and near Brickaville. Significant quantities started to be exported in 1957. Of its current 125,000 short tons of production 77,000 to 80,000 short tons of raw sugar is now normally exported to European countries, France, and other areas, including Africa and recently the United States (in 1964).

Malagasy Republic sugar production exports consumption, 1955–64

[1,000 short-tons raw value]

Year	Production	Exports	Consumption
1955	37	3	22
1956	51	1	24
1957	65	12	25
1958	77	45	26
1959	72	36	29
1960	96	48	31
1961	97	51	39
1962	96	66	43
1963	125	77	42
1964	84	77	48

Source: International Sugar Council Statistics and Publications.

Madagascar sugar and the U.S. market

Before 1964, however, the Malagasy Republic was not permitted to export sugar to the United States, though it was most anxious to do so. This interest of course was heightened by the fact that the U.S. price between 1957 and 1963 averaged 2½ U.S. cents a pound higher than the world price.

In early 1963 the price situation reversed itself. The world price started to climb and then exceeded the U.S. price. It became disadvantageous pricewise to sell to the United States. In November this disadvantage was at its greatest. As the chart shows, the U.S. price in November 1963 was 8.23 cents a pound lower than the world price. It was then that Madagascar was first permitted to export to the United States.

U.S. sugar supply situation 1963 and 1964

The U.S. supply of sugar was in some difficulty as a result, since the United States normally depends on foreign countries for up to 45 percent of its supply and most foreign sources were tempted by the higher world market prices.

However, since most of the foreign countries which normally supplied the United States had had the advantage of the many previous years when the U.S. price was higher than the world, it could have been expected that they would continue to sell to the United States even in a period of price disadvantage. In early November 1963, the U.S. Department of State sent letters to most of the sugar producing countries of the world, including one sent on the 5th of November, 1963 to the Foreign Minister of the Malagasy Republic, asking whether they could ship sugar to the United States during 1964. The letter stated that the United States would give consideration in establishing its new quotas in the new sugar legislation to the amounts that were offered and shipped to the United States as a result of this letter.

Malagasy Republic response to United States request

The Malagasy Republic's response to this letter was quick and, in view of the circumstances, generous. At the time that this request was made the U.S. price for sugar was $9.34 per hundred pounds and the world price was $11.63 per hundred pounds. If we reduce the U.S. price by duty and by shipping costs to the United States since Madagascar could have sold sugar at the world price to markets in the nearby area, the differential between what the United States would pay and what Madagascar could get elsewhere would have been up to $4 per hundred pounds.

At that time it was by no means clear that a differential in favor of U.S. prices would ever be reestablished. Yet without hesitation, in December 1963, 11,550 tons of sugar were promised to the U.S. market. In late April, when a differential in favor of the world market still existed, Madagascar offered an additional 5,500 tons of sugar to the United States for a total commitment of 17,000 tons, more than one-quarter of its export supply. In the context of today's sugar market, these commitments perhaps may not seem important, however in late 1963 and early 1964, it seemed to observers, based on actual trading in the futures market, that the U.S. price for sugar would continue to be lower than the world market price for some time to come, possibly for many years. For a country with such limited financial resources to devote more than 25 percent of its exportable sugar to the U.S. market at such a time was a remarkable decision, especially when it meant a sacrifice of almost 50 percent of the net revenue that it might otherwise have expected.

While Madagascar's decision was made with some expectation that it would thereby be enabled to expand its trade with the United States, the most important impetus was a feeling of friendship and a desire to establish closer economic and political ties with the Western Hemisphere.

Response of other countries

As stated, it is understood that similar requests were made by the United States to every sugar-producing country in the world with the exception of those behind the Iron Curtain, and Cuba. The Malagasy Republic is not, of course, in a position to know what the responses were, but the record of what actually happened in 1964 speaks for itself. A few highlights from the actual record should be noted:

In all, in 1963, 31 countries had exported sugar to the United States. As exporters of sugar to the U.S. market, all of these countries had benefited in the past by the favorable price situation in the United States as compared with the world market. For most of these countries such price benefits had existed since 1960 and for some of the countries for many, many more years.

Of the 31 countries which supplied sugar to the United States in 1963 and prior years, only 8 increased their exports in 1964 to the United States, presumably in response to this urgent appeal.

Of the eight countries which increased exports to the United States, only two supplied more than fractional increases in 1964 over 1963.

Several countries which had supplied sugar in 1963 supplied nothing in 1964.

One country, Mexico, increased its exports in 1964 compared to 1963 by a substantial quantity from approximately 379,000 tons to 491,000 tons.

One country, the Malagasy Republic, had never supplied sugar in prior years, had no history of advantageous sales to the United States in the past, yet volunteed to export sugar to the United States in 1964.

It is possible, of course, that many of the countries who, in effect, failed to respond to the U.S. plea, failed to do so because of hurricanes and natural disasters or crop failures, and were not in a position to expand exports. However, it is worth noting that a number of such historic suppliers to the U.S. market not only chose 1964 as a year in which to decrease their exports to the United States but also as a year in which to expand their exports to other markets.

Position of Malagasy Republic

The Malagasy Republic has no quarrel with any other country as a supplier of sugar. It wishes only to point out that in the sugar field, the Malagasy Republic did not have an obligation to the United States, yet out of friendship chose to help.

Madagascar is the only newly independent country of Africa that participates in the sugar trade of the United States. While Africa as a whole is not yet as important a sugar-producing area as others, it has plans for expansion of agriculture in that direction. There are a number of sections of Africa that are well suited to the production of this important commodity and Africa as a whole is developing its agriculture rather later than most of the countries of Latin America and the Far East. While in no way wishing to challenge the position of those countries that have had long and remunerative trade relationships with the United States, it is felt that the ability of Africa to participate in such an important market as the U.S. sugar market should not be hampered by the lack of a history of having exported such a commodity in the past, when in fact this important area has not been in a position to develop its ability to produce such commodities until very recently.

The Malagasy Republic feels that it is representative of Africa and that the U.S. response to its very modest requests will be interpreted by the other African countries which are producers of raw materials and agricultural materials as an indication of the way in which the United States intends to deal with the serious economic problems of this area. For this reason it is urged that serious consideration be given to granting quotas in accordance with the intent and rare good will evidenced by the Malagasy Republic rather than by using a bare mathematical system which, no matter how carefully weighted, cannot reflect the true state of affairs.

The Malagasy Republic request

Accordingly, the Malagasy Republic requests that the administration and the Government of the United States consider granting a minimum quota to the Malagasy Republic of three cargoes of sugar, totaling 30,000 short tons, raw value.

A further consideration is the possibility of imposition of a fee by the U.S. Government to recapture the difference between the world price and the U.S. price. While this may have a certain merit, from the point of view of the suppliers of sugar to the United States who are very close in time and distance to the United States, the imposition of such a fee presents serious difficulty for the Malagasy Republic.

U.S. sugar receipts from foreign countries

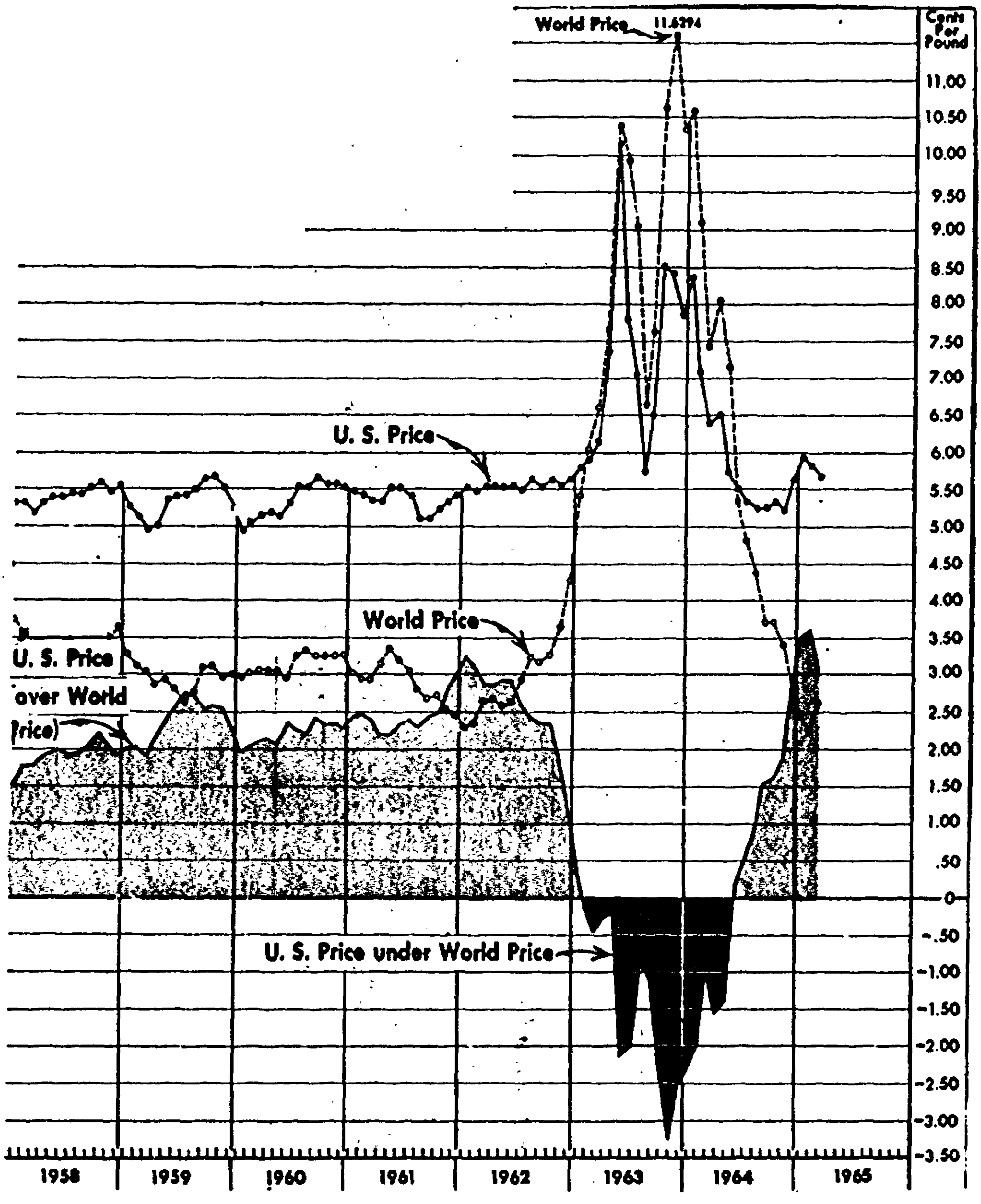
[In short tons, raw value]

	1963	1964		1963	1964
Argentina	228,573	19,828	India	118,969	110,562
Australia	223,593	216,705	Ireland	9,982	----------
Belgium	7,364	5,192	Madagascar	----------	11,569
Brazil	469,833	183,708	Mauritius	66,617	----------
British Honduras	1,712	6,006	Mexico	379,371	490,843
British West Indies	141,359	142,212	Nicaragua	38,402	50,351
China, Republic of	71,272	81,166	Panama	10,225	19,276
Colombia	45,028	28,304	Paraguay	4,689	----------
Costa Rica	40,649	40,537	Peru	413,431	235,000
Dominican Republic	590,005	411,501	Philippines	1,194,847	1,216,247
Ecuador	56,491	57,931	Reunion	20,870	----------
El Salvador	18,967	20,582	South Africa	132,282	119,957
Fiji Islands	48,573	54,491	Southern Rhodesia	10,598	10,271
France	38,583	5,343	Turkey	13,619	----------
French West Indies	94,312	37,194	Venezuela	11,916	4,289
Guatemala	51,059	37,747			
Haiti	40,433	15,028	Total	4,593,624	3,631,840

Source of information: Sugar Repts. No. 153, February 1965.

U.S. dollar exports to Malagasy Republic, 1960–64

Item	1960	1961	1962	1963	1964	Percent change, 1964 over 1959
Food and live animals including milk and cream, cereal preparations and fruit preparations	$833	$62,348	$187,530	$206,929	$322,318	38,859
Tobacco and beverages	52,832	39,306	46,943	89,539	131,685	+149
Crude materials, inedible, mostly textile fabric waste	828,579	209,285	192,966	120,073	18,302	−97
Mineral fuels, lubricants, and related products (mostly petroleum)	100,652	401,150	358,703	113,693	220,885	+119
Chemicals including paints and drugs	23,502	20,809	43,366	77,554	52,693	+124
Manufactured goods including hand tools, rubber products, madeup textiles, and iron and steel products	58,015	85,567	45,072	78,682	174,377	+200
Machinery and transport equipment including agricultural machinery, machinery for special equipment, road motor vehicles, aircraft and electrical machinery	1,371,640	1,344,238	1,675,012	2,485,664	2,468,844	+80
Manufactured articles including furniture, instruments, and printed matter	22,179	45,366	44,113	48,150	49,237	+122
Special shipments	33,159	48,136	164,027	197,801	512,095	1,328
Total, U.S. exports to Malagasy	2,491,391	1,895,205	2,757,732	3,418,085	3,950,436	+58



Senator Long. Mr. John R. Mahoney, representing the South African Sugar Association.

STATEMENT OF JOHN R. MAHONEY, REPRESENTING THE SOUTH AFRICAN SUGAR ASSOCIATION; ACCOMPANIED BY WILLIAM BARNES AND ERNEST MORRISON, MEMBERS OF THE EXECUTIVE, SOUTH AFRICAN SUGAR ASSOCIATION

Mr. Mahoney. Mr. Chairman, members of the committee, my name is John Mahoney. I am appearing here today on behalf of the South African Sugar Association which has a very vital stake in S. 2567 and H.R. 11135, the legislation now pending before this committee.

The South African sugar industry has existed for over 100 years. At present there are 3,689 Negro, 2,144 white, and 1,820 Indian independent sugarcane growers in the industry who produce over three-fourths of the cane. The remaining 23 percent is produced on the estates of 17 mills, most of which are public stock companies; 1 is a cooperative organization, another is owned by an Indian family.

The South African Sugar Association is a purely commercial organization embracing every grower and miller and is responsible for the marketing at home and abroad of all sugar produced in the Republic of South Africa. The association has no governmental representatives in its membership and takes no part in governmental policy decisions.

S. 2567 which the administration, through the Departments of Agriculture and State supports, properly reflects reliable performance as the basic criterion for the allocation of foreign quotas.

South Africa was first awarded a quota in 1962. Its performance in supplying the U.S. market during the intervening years has been of the following order:

	Tons
1962	97,000
1963	131,000
1964	120,000
1965	103,000

The South African Sugar Association requests the Senate to enact the proposals made by the administration in S. 2567 which proposed a quota of about 100,000 tons for South Africa. We believe that in making these proposals the administration has judged South Africa fairly on its performance in supplying the United States, particularly when the United States desperately needed sugar during the emergency in 1963 and 1964.

In our view, the Senate must give serious consideration to the necessity for supporting the commitment made by the executive branch to foreign suppliers in October 1963 that those countries that pledged sugar promptly would be given special consideration when the time came to allocate new quotas. That time is now at hand.

I think it is important for you gentlemen to understand that the South African Sugar Association has a somewhat different view of our Government infrastructure than you or I do. The Senate should judge the perspective and recognize the implications which flowed from the telegrams sent in October 1963, a copy of which, together with the reply by the South African Sugar Association, is attached as appendix A.

The South African Sugar Association regards the U.S. Government as being represented abroad by our diplomatic forces, in this case the U.S. Embassy at Pretoria. Therefore, the South Africans naturally regarded this cable as an assurance from all of the U.S. Government, not just the executive branch. They have just learned in the last few weeks that the House Agricultural Committee did not associate itself with the Government's cable, but they want to make it clear that they were not aware of this in 1963. In retrospect, the South African's view of the undertaking given in the cable may appear naive, but there must be no doubt in your mind that the South African view of the cable was just as I have now described it.

The South African Sugar Association felt that it was cooperating with the United States at the request of the U.S. Government and did not suspect for one moment that any undertaking such as that given in the cable would not be supported by Congress.

It is a matter of record that the South African Sugar Association was one of the first to respond to the appeal by the United States when, in early November 1963 within a few days of its receipt, South Africa offered to supply approximately 155,000 tons during 1964. At the time of this commitment, the South African Sugar Association was fully aware of the price disadvantage then existing, but accepted this disadvantage because of the assurances given of the manner in which future quotas would be allocated. S. 2567, which awards South Africa a quota of approximately 100,000 tons, is consistent with the assurances we received.

We are disappointed to find that the quota recommended in H.R. 11135 amounts to only 29,000 tons. This is not consistent with South Africa's performance of over 100,000 tons each year. We find that the quota proposed for us by the administration was reduced in the House by 69 percent, far more severely than any other supplying country. In this connection, we have attached appendixes D and E which show dramatically how much more severely we were cut than any of the other foreign suppliers. Frankly, we do not understand the reason for this treatment by the House Agricultural Committee. We cannot believe that the Senate can reconcile this treatment with the assurances contained in the cable we received from the U.S. Embassy in Pretoria.

Since the emergency of H.R. 11135 we have attempted to ascertain what criteria the Committee on Agriculture of the House of Representatives used in setting the quotas.

The committee print entitled "The Development of Foreign Sugar Quotas in H.R. 11135" issued on October 13, 1965, sets out on pages 5 and 6, nine factors considered by the committee in changing the quotas recommended by the administration. These were:

(1) Ability to supply the required amount of sugar to the U.S. market.

(2) Ability (particularly among the larger suppliers) to carry reserves of up to 30 percent to meet emergencies or increases in demand.

(3) Ready availability of supply—with preference to Western Hemisphere producers—because of a delivery time of 2 to 3 weeks, compared with a delivery time of 6 to 8 weeks for other countries.

(4) Stability of supply—including the element of stability of the local government.

(5) The economic need of the country for a U.S. quota and the relative value of a quota to such country.

(6) Purchase of, and potential market for, U.S. agricultural commodities, including the balance of trade relationship with the United States.

(7) Reasons of national policy and strategy, including unusual military or strategic importance of the nation receiving a sugar quota.

(8) Friendliness of the government and support of U.S. foreign policy—particularly in the U.N. and the OAS.

(9) The record of performance in making deliveries to the United States in 1962, 1963, and 1964.

Although not in the Western Hemisphere, South Africa is surprisingly close to the sugar importing ports on the eastern seaboard of the United States compared with some countries in the Western Hemisphere. We are closer than all other non-Western Hemisphere cane sugar suppliers. Ships loaded with South African sugar reach New York within 3 weeks. One American sugar ship reached Boston in less than 16 days after leaving Durban.

The sea route is direct and completely through open waters. It does not pass through any foreign country, through any canal, or through any straits which may be subject to foreign interference.

Moreover, we are able to ship sugar more quickly to the United States than distances or sailing times alone imply because of the efficiency of dispatch from the port of Durban. Even before we recently improved our facilities, we were able to deliver the world's largest sugar cargo, 25,490 tons to New Orleans in September 1964 on the SS *La Chachra.* Since that time we have completed a bulk sugar loading installation at Durban which began operation in April 1965. A brochure prepared to mark the official opening is in the folder. The 200,000-ton capacity of this store makes this the largest single shed sugar storehouse in the world, and it can load a 10,000-ton ship automatically in all kinds of weather in less than 1 day.

The installation can handle nearly 1 million tons in a year and eliminates any problems of port congestion. However, we are not standing still but in order to improve on this already high standard of efficiency and reliability we are expanding the storage capacity of this facility to one-half million tons, the equivalent of 50 shiploads. How many other countries have 200,000 tons of sugar storage within 3 weeks delivery time of the United States?

In terms of speed and reliability of delivery, the disadvantage of not being situated in the Western Hemisphere is not as real as it may at first appear.

Also, insofar as factor 5 is concerned, should the fact that South Africa has never asked for nor received foreign aid from the United States react to our disadvantage in maintaining our established level of exports of sugar to the United States?

Because we rely on trade not aid, it is important that our trade in sugar should not be drastically curtailed.

Next, we want to show the excellent way South Africa qualifies on all the factors enumerated in the committee print.

Ability to supply

Our record of supplying the United States surely removes any possible doubt about the ability of South Africa to supply 100,000 tons per annum to the United States as S. 2567 proposed. Indeed South Africa could easily supply the United States with about 400,000 tons of sugar annually.

Ability to carry reserves

Our new port storage facilities, described previously, are such that South Africa will have available tremendous reserves of sugar with which to meet any emergency or increases in demand in the United States at any time of the year. We have proved our ability and willingness to supply the United States in the past. For example, in the latter half of 1962, South Africa shipped 85,000 tons of sugar over and above her basic quota at very short notice to the United States and our sugar was among the first to arrive.

Again, on December 5, 1963, when Secretary Freeman formally asked for 1 million tons of global quota sugar for 1964 the South African Sugar Association was among the very first, if not the first, to respond, by offering over 100,000 tons on December 9—only 4 days later whereas unattractive U.S. prices apparently caused many countries to hesitate, so that the global quota was not fully subscribed until January 21. South Africa, apart from the speed of response, committed the fourth largest quantity of sugar.

Stability of supply

During the life of the proposed sugar bill, South Africa will have available for export to the United States not less than 400,000 tons per year, out of a total annual crop of between 1½ and 2 million tons of sugar.

According to current international statistics South Africa will soon rank as the fourth largest exporter of sugar in the world. South Africa has no preferential sugar quota arrangements with the British Commonwealth and has access to Commonwealth sugar markets only in the same way as all other non-Commonwealth suppliers to the United States.

Balance of trade with United States and market for agricultural commodities

The balance of trade between South Africa and the United States for the current year is reliably estimated to be more than $200 million in favor of the United States. During the last 15 years the balance of trade in favor of the United States has been over $1 billion.

Appendixes B and C show that South Africa buys and pays in full for over $400 million of goods annually from the United States. This trade is growing healthily and in 1964 included among other things $9 million worth of rice, $6 million worth of wheat, and $4 million worth of cotton, together with $25 million worth of cotton thread and textile fabrics.

According to the table set forth at pages 7 and 8 of report 1046 which accompanied H.R. 11135, column 7 shows that South Africa ranks sixth among 32 U.S. sugar suppliers on a favorable trade balance with the United States.

Because of these figures it is important that South Africa be allowed continued access to the U.S. sugar market at a level which does not depart too drastically from that established over the last 4 years.

National policy and strategic importance

South Africa occupies a strategic position on the southern tip of the African Continent, and becomes of vital importance in times of world conflict, especially if access to the Suez or Panama Canals is restricted.

South Africa has been a steadfast ally of the United States in World War I and II, in the Berlin airlift and in Korea. It is firmly on the side of the West in the fight against communism. The United States maintains vital missile and space-tracking stations in South Africa.

Support of U.S. foreign policy

At the U.N., South Africa has supported the U.S. position on every major issue affecting the security of the Western World.

Record of performance

The South African Sugar Association considers that actual performance in 1962, 1963, and 1964 ought to be the most important factor in determining the size of the future foreign quotas. It is on South Africa's record of consistent performance from 1962 through 1965 in open competition with other foreign suppliers that we are asking to be judged. The record we have established reflects positive proof of many of the other criteria enumerated, such as ability and willingness to supply and the availability of large reserves, and so forth.

Our position can be summarized quite simply:

The South African Sugar Association does not understand why the quota proposed for South Africa in H.R. 11135 has been reduced so drastically from the level of its past performances as reflected by the quotas proposed for South Africa in S. 2567. The difference in our case represents a more severe reduction in terms of both tonnage (67,000 tons) and percentage (69 percent) than any other supplier. We completely support the administration's proposals in S. 2567, and feel that the House bill 11135 is inconsistent with the spirit of the 1963 cable received from the U.S. Embassy in Pretoria.

The South African Sugar Association, therefore, requests the Senate to agree that South Africa be allowed to continue to market some 100,000 tons of sugar annually in the United States.

(Appendixes A, B, C, and D follow:)

APPENDIX A

Cable received from U.S. Embassy, Pretoria, on October 29, 1963.

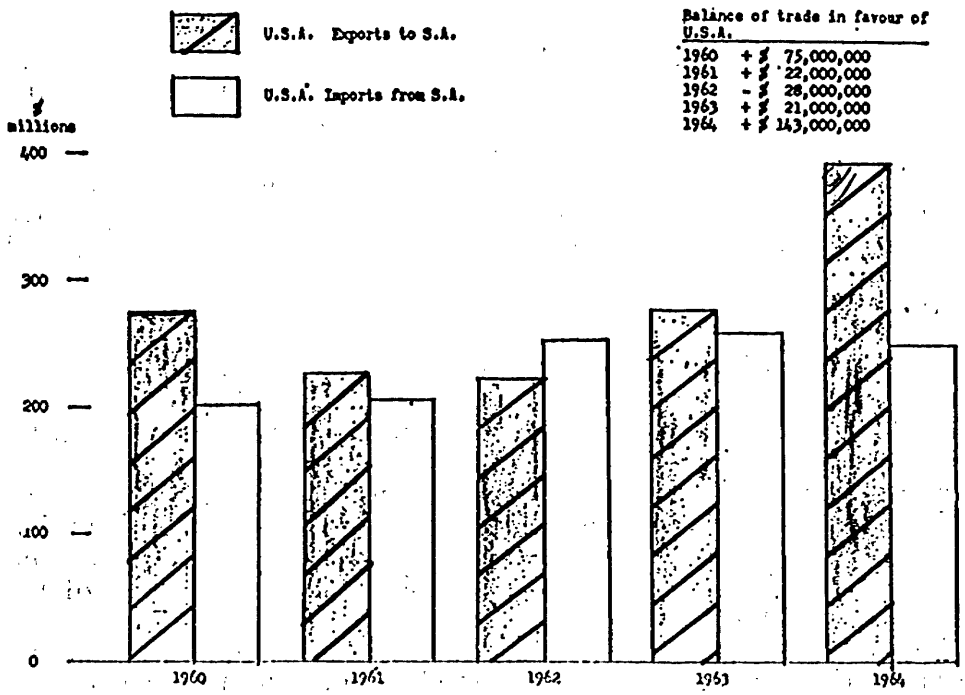
"Report soonest tonnage sugar Republic of South Africa will commit for shipment to U.S. market in 1964. Total broken down separately by country quota sugar and by global quota each by expected month arrival in United States. For this purpose only assume country quota same as quota initially established for 1963, 20,332 tons. *Total 1964 deliveries particularly those shipped or committed early by individual countries will have strong bearing on recommendation regarding allocation of country quotas after 1964.*" [Emphasis added.]

Reply sent by South African Sugar Association:

	Tons
"1. Quantity	155, 332
2. Basic	20, 332
Global	135, 000
3. January (basic)	20, 332
February-March	35, 000
August	10, 000
September	20, 000
October	20, 000
November	30, 000
December	20, 000
Total	155, 332

USA/2/65.
8-4-65.

APPENDIX B U.S.A. / S.A. BALANCE OF TRADE.



APPENDIX C

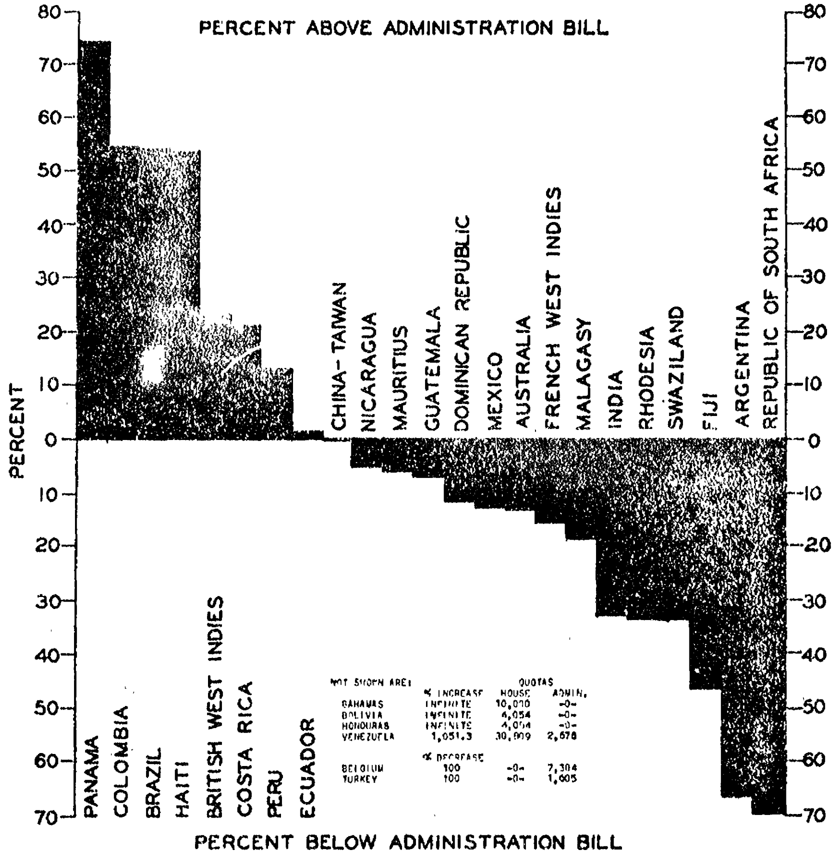
Balance of payments, United States-South Africa, 1950–65

[In millions]

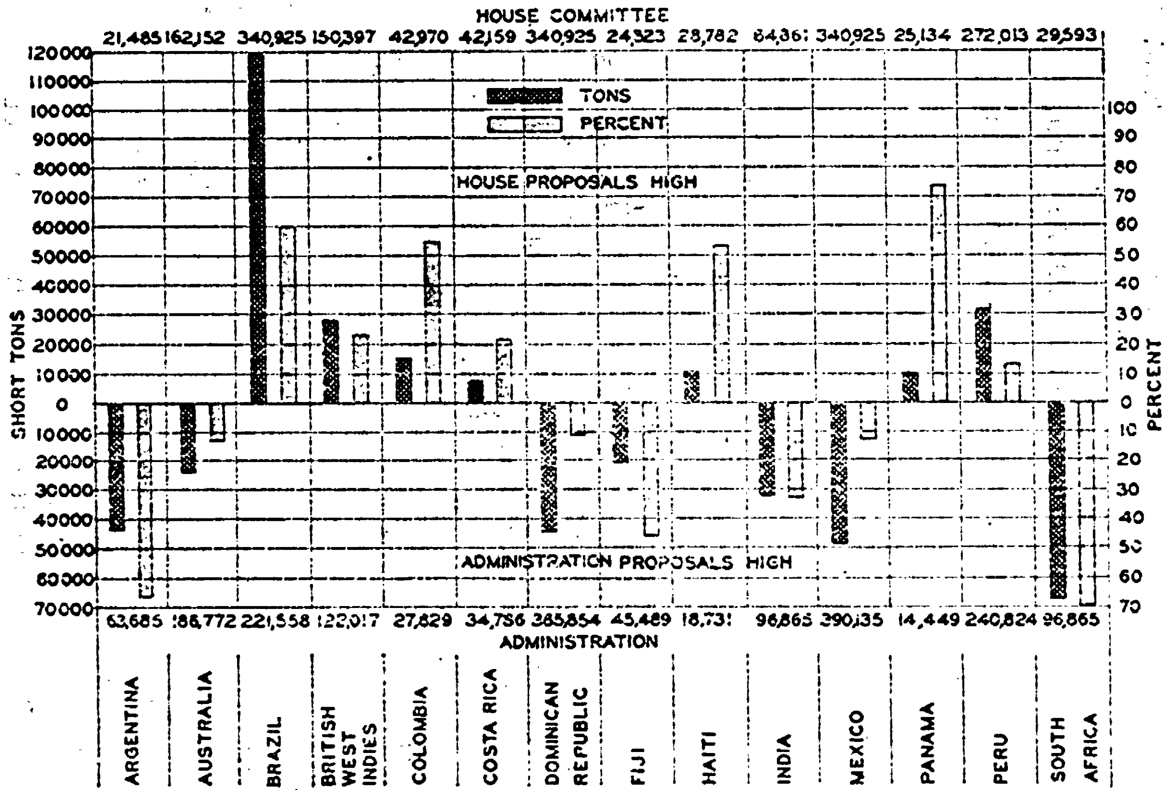
	Total value of U.S. imports from South Africa	Total value of U.S. exports to South Africa	Balance in favor of United States (except 1962)
1951	$134	$247	$113
1952	109	215	105
1953	84	207	123
1954	121	228	107
1955	146	260	115
1956	187	260	73
1957	217	285	68
1958	202	248	47
1959	195	220	26
1960	201	277	76
1961	205	228	22
1962	251	223	−29
1963	255	276	21
1964	250	393	143
1965 (estimate)	240	450	[1] 210

[1] NOTE.—January-June 1965, balance in favor of United States 126,000,000.

HOUSE AGRICULTURE COMMITTEE SUGAR BILL
VS.
ADMINISTRATION SUGAR BILL



DIFFERENCES, IN TONNAGE AND PERCENTAGE, BETWEEN THE QUOTAS PROPOSED BY THE HOUSE AGRICULTURE COMMITTEE AND BY THE ADMINISTRATION FOR THOSE MAJOR SUPPLIERS SHOWING LARGE DISCREPANCIES IN THE TWO PROPOSALS.



Senator LONG. Thank you very much for your statement, Mr. Mahoney.

Mr. Ganson Purcell is the next witness, appearing in behalf of the Rhodesia Sugar Association.

STATEMENT OF GANSON PURCELL, REPRESENTING THE RHODESIA SUGAR ASSOCIATION

Mr. PURCELL. My name is Ganson Purcell. I am an attorney at law and a partner in the firm of Purcell & Nelson with offices in the Brawner Building, Washington, D.C. I represent the private sugar industry of Rhodesia through the Rhodesia Sugar Association, an organization of which all the sugar producers in Rhodesia are members. I do not represent the Government of Rhodesia, or any of its agencies.

Rhodesia has sought to obtain a quota under the proposed amendment to the Sugar Act of 1948 of 60,000 tons per year for 1966 and succeeding years. This request was made before the House Committee on Agriculture and statements were submitted in support of it. As a matter of fact, the Rhodesian sugar producers were desirous of securing such a quota in 1964, and although legislation was not considered in the Congress at that time, they submitted their request to the administration in a formal application.

It was a very great disappointment to the Rhodesians that the administration this year recommended to the Congress a basic quota for Rhodesia of only 9,000 tons; and it was even a greater disappointment that the House Agriculture Committee reduced this allocation to about 6,000 tons.

The Rhodesian request of 60,000 tons represents only 17 percent of its average projected annual surplus available for overseas exports. A quota of only 6,000 tons for export to the United States would amount to less than 2 percent of that surplus. However, the Rhodesians do not presume to seek a larger quota as a matter of right, nor do they ask for any form of outright aid. Rather they regard their proposal as a thoroughly sound business proposition which should be attractive, and advantageous to the consumers of the United States.

Rhodesia has developed production of cane sugar in a manner and with results that are truly unique. The quality of the raw sugar produced from its cane is very high indeed; the growth, harvesting, and milling of the cane is dependable and constant; it can and does maintain substantial inventory reserves for immediate shipment—and proposes to continue to do so; and its delivery schedule to U.S. ports equals that of any producer outside the Western Hemisphere, and is shorter than most.

In amplification of what I have just said, I should point out that the cane is grown under fully controlled conditions by irrigation in an area removed some 400 miles from the coast and is completely free of the climatic hazards of winds, hail, and flood so often associated with coastal sugar production. The average cane yield is 50 to 55 tons per acre and raw sugar of more than 6 tons an acre is produced each year. The cane matures in only 12 to 13 months, and the milling season is a continuous one from March to December of each year.

In addition to the quality of the product and the reliability of its supply, Rhodesians have other claims to a firm business relationship with the United States which are based on mutuality of interests of a social and economic nature.

First, Rhodesia is definitely oriented to the Western Powers. It is committed to resisting the ever-present threat of Communist infiltration and is deeply conscious of the necessity of furnishing its people with the desire and ability to resist the appeal of communism and to appreciate the advantages of a democratic form of government. First among the weapons utilized to this end are education and gainful employment of the people, particularly the heavily predominant native African population.

Education of the Africans has been a major concern of the Rhodesian Government for many years, and is being provided on a broad basis. For the current fiscal year Government spending on African education is the largest single item in the Rhodesian budget. In 1964, there were some 640,000 African children in the primary schools compared to an enrollment of about 260,000 10 years prior to that time. The result of this program is now being felt at the secondary and college levels where applications for admission are multiplying and the number of facilities is being increased. In the last school year more than one-third of the student body of the University College of Rhodesia were Africans and that proportion is steadily on the increase. It is also significant to note that the sugar industry itself is supplying primary school facilities in its own housing developments—as an additional private contribution to the overall public provision.

As would be expected, a further major concern of the responsible Rhodesian leaders is to provide employment and a steadily improving standard of living for the African, demand for which increases with the spread of education. Agriculture, of course, is the largest employer and the producers in this field are conscious of their responsibility to the rapidly increasing African population.

The sugar industry, during the period of its dramatic growth, has done more than its share to meet this challenge. Ten years ago the population in what is now the sugar-producing area was negligible, and there was virtually no paid employment. The significant change from this situation took place after the Kyle Dam, the first of the great water retention dams, was completed in 1961. By the beginning of 1965, the sugar industry had increased direct paid employment to a total of over 21,000 persons, of which 20,500 were native Africans. It is estimated that the total population directly supported by the industry at that time was over 64,000 persons. Indirect employment extended the benefits of this cash economy to nearly 120,000 people, of which most are Africans.

The industry estimates that by 1968 the basic direct employment will have increased from 21,000 to 30,000 persons, with a corresponding increase in the total number of people directly or indirectly dependent upon the industry.

An additional need for employment has been created by a reduction of the employment in other areas of Rhodesian agriculture. Production of some of the more established agricultural products has recently been voluntarily limited by the growers in a demonstration of what might be termed "responsible agricultural cooperation" with other world producers. The sugar industry is bent on doing all in its power to take up the slack, but it must find the wherewithal. Its success will also contribute to a better balance in Rhodesia's internal agricultural economy.

The means must be supplied from sales of the sugar produced, and most significantly from the overseas export surplus. And here again, Rhodesia is not asking for unilateral aid. On the contrary, private sugar producers expect no more than a return on their investment—an investment which has risen to a total of some $75 million in plant and equipment, including irrigation facilities, and in housing, schools, and hospitals for workers. Before present plans are completed in 1968, these investments will reach a total of at least $100 million. These figures do not include outlays for dams and major irrigation canals, which were constructed out of Government appropriations, but the cost of which is being liquidated from water charges levied on the sugar-growing users.

Although Rhodesian sugar enjoys only a limited domestic market, the sugar industry is taking vigorous steps to increase domestic consumption. But this cannot be accomplished in a short space of time; and even when it has been, it will still be necessary to sell the major portion of the production in the markets of the world. Much of this must have the benefit of assured markets at advantageous prices in order to yield the required return. Within 18 months, Rhodesia will be exporting some 400,000 tons of sugar a year, of which only 25,000 tons is assured of a guaranteed price—under the British Commonwealth Sugar Agreement.

Rhodesians believe that they are entitled to consideration from the United States as a matter of mutuality of trade relations. During recent years, Rhodesia's imports from the United States have grown to a very marked degree—and the balance has developed increasingly in favor of the United States. In fact, at the present time, that balance stands at just about a 2-to-1 ratio. More dollars earned by Rhodesians will result in more imports from the United States. A significant example of this trend is the fact that Rhodesian purchases of U.S. farm products, principally wheat and canned goods, increased by more than 300 percent in 1964 over 1962. No small part of this trend is attributable to the dramatic increase in income of the sugar workers and the improved living conditions which they enjoy.

I should not like to leave the impression that friendly cooperation between the two countries is a thing of the future only. It must be remembered that Rhodesia, during the difficult years of 1963 and 1964, answered the U.S. call for sugar supplies with shipment of all of its uncommitted stocks of raw sugars in those 2 years and, as I have mentioned, offered greater tonnages on a long-term basis in March of 1964—all of which was done at a time when the U.S. price was well below the world market price. It has cooperated in control of other agricultural surpluses, as well.

Rhodesia has also given assistance to the development of the U.S. space program. In connection with every U.S. manned space probe, it has made full airfield facilities available as required for the accommodation and operation of U.S. rescue aircraft—and this without the imposition of any conditions or restrictions whatever.

In conclusion, the Rhodesian sugar producers offer the United States a first-class business proposition which deserves consideration on its merits. In giving this consideration, I am confident that the members of this committee and of the Senate will give due weight to the benefits that will accrue in increasing measure to the African population of Rhodesia through support of this vigorous and efficient industry.

Senator LONG. Thank you very much, Mr. Purcell.

Our next witness is Mr. Charles Patrick Clark, who appears in behalf of the Venezuelan Sugar Distribution Association.

STATEMENT OF CHARLES PATRICK CLARK, REPRESENTING THE VENEZUELAN SUGAR PRODUCERS ASSOCIATION

Mr. CLARK. Chairman Byrd and members of the Senate Finance Committee, my name is Charles Patrick Clark. Our law firm represents Distribuidora Venezolana de Azucares, hereinafter referred to as DVA, or the Venezuelan Sugar Distributing Association. I am accompanied by Dr. Marcel Carvallo, general manager of DVA. Dr. Carvallo is a graduate of Penn State College. Dr. Carvallo has been general manager since the creation of DVA in 1956 and has recently been elected for his 11th successive term. Dr. Carvallo is considered an outstanding authority on sugar in the industry.

I am also accompanied by Dr. Manuel Perez-Olivares, a noted Venezuelan economist. Dr. Perez-Olivares is a graduate of Harvard University.

Dr. Carvallo and Dr. Perez-Olivares are here to assist me in answering any questions of a technical nature concerning Venezuela's sugar industry which you, Mr. Chairman and members of the committee, may wish to ask.

Mr. Chairman, in addition to our oral statement, we have a supplemental statement, with exhibits, which we respectfully request be inserted in the record. This statement describes the principal functions of DVA, various facets of the Venezuelan sugar industry, including production, consumption, and surpluses, and labor-management relations in the industry which are excellent. The statement also includes a map of Venezuela showing the locations of the 12 sugar mills and the sugar producing areas, the political structure of the country, its economy, foreign trade, balance of trade and balance of payments with the United States, purchases from the United States, its debt record, Government finance; Venezuela's programs of health, education, and labor, and historic ties with United States.

I would now like, with your permission, Mr. Chairman and members of the committee, to make a brief statement as to the reasons why we believe Venezuela should be permitted by your committee to participate, by way of a permanent quota, in the U.S. sugar market.

This is the first time Venezuela has appeared before your committee seeking a permanent sugar quota, simply because Venezuela's outstanding economists concluded that it was in the best interests of the country to do so. The economists recommended that the country not depend on oil exclusively, which accounts for 93 percent of its exports, but rather to diversify the country's exports by increasing its agricultural production which would allow for an increase in sugar production and in turn increase its agricultural exports. This Venezuela has done succesfully. She is now in a position, by reason of having a sugar supply much greater than her domestic demand, to seek from your committee a permanent sugar quota of 40,000 tons annually.

Mr. Chairman and members of the committee, we should keep in mind that, unlike other countries, Venezuela has no preferential sugar market other than the United States for her exportable sugar and quite naturally looks to her friendly and good neighbor, the United States, as a nearby outlet.

The sugar industry is now one of the most important industries in Venezuela's economy, not only because of the volume and value of its production in the agricultural and industrial sectors, but also because of its ability to provide employment. The sugar industry employs approximately 50,000 people, a far greater number than the petroleum industry employs.

The Venezuelan sugar industry consists of 12 mills having a present production capacity of over 460,000 short tons of sugar per year. The sugar industry processes over 3,500,000 short tons of cane per year, produced on 1,327 privately owned farms. The six privately owned mills produce 57 percent of Venezuela's sugar; the six Government-owned mills produce 43 percent. The 12 mills are located in regions having the best agricultural characteristics in Venezuela and, at the same time, are near port facilities which are easily accessible over first-class paved roads.

The supervision and operation of the Venezuelan sugar industry is highly efficient; many of its technicians, as well as management and its representatives, were educated in American colleges and universities. The equipment in the Venezuelan sugar mills is modern—85 percent of its essential machinery being less than 15 years old, the largest percentage of it being of American manufacture. The total Venezuelan investment in American equipment is approximately $58 million, of which $21 million has already been depreciated. The combination of superior machinery, modern fabrication methods, and quality chemical products has resulted in the production of refined sugar equal to that of any sugar-producing country in the world.

The sugar industry makes extensive use of automatic instruments and controls, especially in the steam generation and processing departments. This automation results in higher operating efficiency, better working conditions, and increased productivity of high-quality sugar.

DVA institutes periodic comprehensive economic and research studies of the entire sugar industry in order to increase its efficiency and productivity.

In the field of labor relations, the sugar industry has shown a spirit of constructive cooperation with labor, resulting in a higher level of income and standard of living for the sugar workers. The history of labor in Venezuela has been one of progressive legislation and efficient administration designed to assure the workers fair treament and just compensation. Such modern concepts as profit sharing and social security have been part of Venezuelan law for 30 years. These concepts are reflected in a series of collective bargaining contracts which have received high praise from many Latin American institutions.

The sugar industry has had great influence in many Venezuelan communities in eliminating pockets of poverty which the Communist cause thrives on.

Venezuela historically has been an excellent market for U.S. exports with over 50 percent of its imports coming from the United States. Venezuela ranks 2d in Latin America and 10th in the world as a customer of the United States and ranks 1st in Latin America insofar as cash agricultural purchases from the United States. For example, Venezuela purchases from the United States large annual amounts of livestock; agricultural commodities such as wheat, fruits, cereals, and vegetables; also, agricultural and industrial machinery; and chemicals, to name a few.

In the years 1962–64, U.S. exports to Venezuela jumped from $465 to over $600 million and are still increasing. On the other hand, in recent years one-third, or about 40 percent, of Venezuela's exports, mostly in oil and its derivatives and iron ore, are sold to the United States. This means that, relative to the other countries, Venezuela buys a larger proportion of diversified purchases from the United States and sells a smaller proportion of her exports to the United States. The allocation of Venezuela's requested permanent sugar quota would, Mr. Chairman and members of the committee, help to reduce this imbalance and give validity to the U.S. policy regarding reciprocal trade particularly in the Western Hemisphere.

As stated earlier, if there is one particular factor which has been a disturbing element to the Venezuelan Government and its people, it is the reliance on a single product such as oil as the keystone of its economy. The present Government has an acute awareness of this situation and has taken all possible steps and measures in conjunction with private industry to enlarge the economic activities of the country by diversifying agricultural production in the way of increased sugar production and industrial expansion.

Mr. Chairman, and members of the committee, you well know how very important agriculture is to the progress and growth of any country. I need not tell you it was the foundation on which the economy of the United States prospered and grew.

I am sure you will be interested to know that of the 800,000 workers engaged in agriculture in Venezuela, approximately 50,000 are engaged in sugar production.

It is elementary that a sound and developing agricultural sector will not only enhance the well-being of a country's rural population, but will strengthen the political stability of the country as well and will assure more widespread sharing of the benefits of economic development. In this respect, Venezuela's modest requested permanent sugar quota, which it is qualified to fulfill, is in consonance with its desire to achieve a healthy agricultural environment and greater diversification of its economic activity.

Because of Venezuela's good fortune in having such expansive mineral reserves, its political stability is of particular meaningfulness to the Western Hemisphere and more specifically to Latin America. Those entrusted with the reins of government, from President Raul Leoni down, are well aware of the extra need for the preservation of freedom and security, so that not only will its people benefit from these resources, but that Venezuela also will be enabled to contribute to the development of the free world by continuing as a valuable ally to the United States and the Western Hemisphere.

In assisting Venezuela to diversify its export trade, by way of a permanent sugar quota, you and your committee, Mr. Chairman, would contribute greatly to Venezuela's economic, social, and financial strength, thereby permitting her to be ever on the alert to prevent the exportation of communism as practiced by Castro, not only in Venezuela but in Latin America as well.

In recent years, the democratic Government of Venezuela, under Presidents Betancourt and his successor, Raul Leoni, has moved with great vigor, industry, and imagination to expand its facilities for education and health, to provide opportunity and security for its workers, to develop transportation and other essential facilities for economic development, and above all to pursue sound fiscal and monetary policies designed to achieve that kind of prosperity and that kind of system of incentives and those institutions which will bring about a more widely distributed prosperity and economic soundness, thereby making for a greater stability in the Government.

The confidence and regard that U.S. private industry has for Venezuela and its people is borne out by the amount of American investment which approximates $3 billion. These investments are held by some of the most outstanding and influential corporations in the United States.

Mr. Chairman and members of the committee, I would like to say that my statements regarding the Venezuelan Government and the Venezuelan sugar industry are based on firsthand knowledge, since some few months back I spent 10 days in Venezuela during which time I visited various sugar mills and observed their operations, and spoke with sugarcane workers, landowners, farmers, mill management, labor union officials, and Government officials having an interest in sugar production.

I would like to say, Mr. Chairman, that I have been advised by Venezuelan officials that Venezuela would, if requested, be willing to set aside a standby reserve of sugar in reasonable proportion to the amount of its permanent quota.

I also discussed the operaton of Venezuela's sugar industry and its request for a permanent sugar quota with American Embassy officials in Caracas, including the minister counselor, the economic counselor, the agricultural attaché, and the labor attaché. Our Ambassador was absent from Venezuela at the time of my visit.

I would like to mention at this point, Mr. Chairman and members of the committee, that everywhere I traveled in Venezuela, and it was extensively, I found nothing but the friendliest of feelings on the part of the Venezulean Government officials and the people for the United States and its institutions. I would also like to say, Mr. Chairman, that before leaving for Venezuela, I spoke with appropriate officials of the State Department, Agriculture Department, and Commerce Department regarding Venezuela's economy, particularly its sugar industry. On my return from Venezuela, I communicated with the same Government officials and gave them a rundown on my trip.

In conclusion, permit me to say, Mr. Chairman, that Venezuela is a free, constitutional, Democratic government, patterned after the U.S. Government and has proven herself a bulwark against communism in Latin America, thus making herself a strong and effective link in our Western Hemispheric chain of security.

Venezuela stood resolutely by our side in the late Cuban crisis, and has outlawed the Communist Party, knowing full well that the greatest threat to peace, liberty, and economic and social and spiritual progress in the Western Hemisphere lies in the menace of communism.

The Venezuelan Government, as recently as November 1964, in a gesture of friendship to the United States accelerated by 4 years the payment of the balance of its $75 million loan with a payment of $60 million to the Export-Import Bank, thereby helping the United States to reduce its deficit in its balance of international payments.

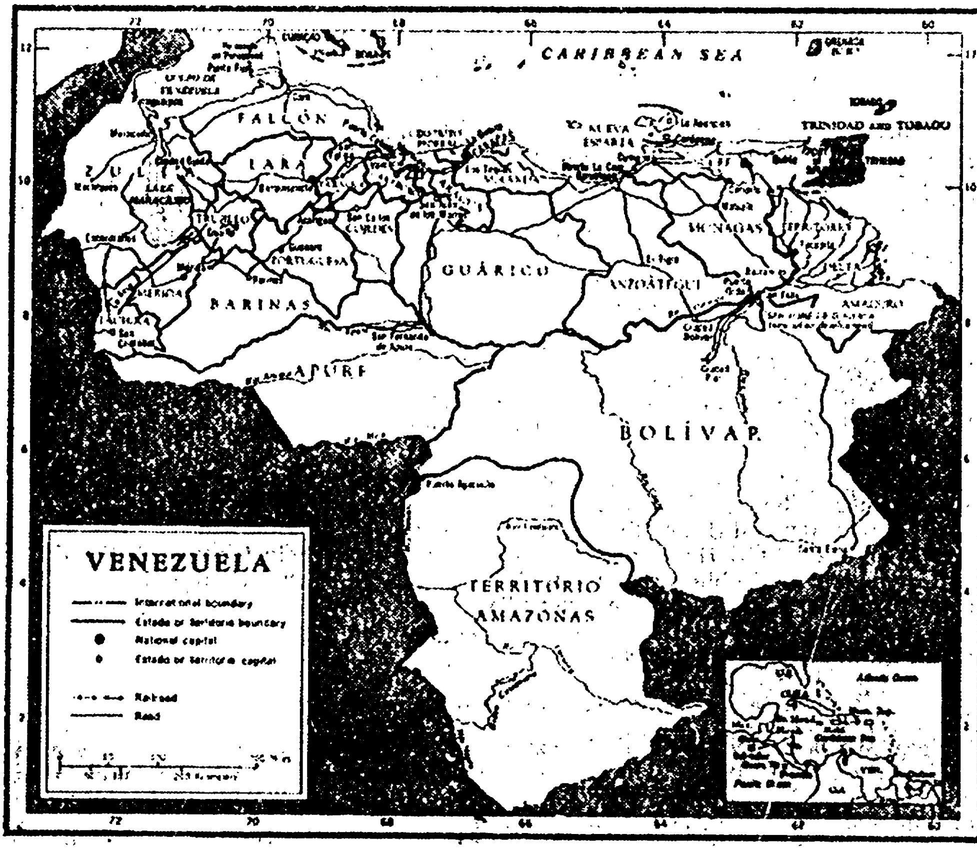
Mr. Chairman and members of the committee, it is our considered judgment that Venezuela meets all the criteria laid down in the Sugar Act of 1937, superseded by the Sugar Act of 1947, in that she is a nearby friendly country and should be permitted to participate equitably in supplying the United States sugar market by way of a permanent quota, thereby expanding our international trade and permitting Venezuela to assist the United States in maintaining a stable and adequate domestic supply of sugar.

It is our further judgment that the best interests of the United States would be served by your committee, Mr. Chairman, in granting Venezuela's request for what proportionately could be described as a very modest permanent sugar quota of 40,000 tons, thereby helping to strengthen her Democratic free government, bolster and diversify her economy, thus giving viability to the spirit, the intent, and the philosophy of the Sugar Act.

Projected Venezuelan sugar estimates for years 1965 to 1970

[In short tons]

Year	Production	Consumption	Surplus
1965	374,000	308,000	66,000
1966	379,500	321,200	58,300
1967	396,000	335,500	60,500
1968	412,500	352,000	60,500
1969	429,000	365,200	63,800
1970	445,000	380,600	64,400



Supplemental Statement of Charles Patrick Clark, Venezuelan Sugar Distributing Association

DVA

DVA was organized as per charter duly registered in Caracas, Venezuela, on March 19, 1956, as a limited liability association under the pertinent provisions of the Venezuelan Commercial Code. The financial interests of the participants in a limited liability association are represented by units, each unit equal to a fixed percentage of the capital and not, as corporations, by individual shares of stock evidenced by certificates.

DVA represents the interests of 12 sugar mills comprising 95 percent of the sugar produced in Venezuela.

DVA was created for the purposes of having a single clearinghouse for handling all sales and distribution of sugar. The necessity for its creation was due to the rapid and uncontrolled expansion of the sugar industry between 1950 and 1956, in which producers found themselves confronted with production far in excess of domestic consumption and total lack of proper management of supply.

The internal structure of DVA is as follows: the final authority is vested in the associates, who meet once a year and elect a board of directors, the president, two vice presidents, a general manager, and a comptroller, all of whom are elected for a 1-year term.

Management and policy decisions are vested in the board of directors. Each of the 12 sugar mills are represented on the board of directors by one member and three alternates who meet once a week. Decisions are taken by 65 percent of the capital represented at the meeting except for loans where 90 percent approval is required.

There is also, within DVA, an advisory committee having equal representation from the mills and canegrowers. This committee has jurisdiction over all sugar matters pertaining to selling prices, exportation and importation, terms and conditions of contracts between DVA and canegrowers, and production agreements.

The first task of DVA in 1956 was to prepare a program which would dispose of sugar surpluses. This was accomplished by programing exports to the world market over several years and by the establishment of voluntary acreage limitations among the producers. Both undertakings being successful, they brought stability out of chaos in the industry.

The principal functions of DVA may be summarized as follows: to provide for the distribution of sugar to domestic consumers at the lowest possible cost; to receive on consignment sugar produced by associated mills; to sell, under its own terms and conditions, the sugar thus received; to obtain loans for its associates and to act as depository of the sugar given by them as collateral; to stimulate the consumption of sugar; and to act as agent of its associates in purchase of sugar, machinery, and related items.

To assure efficiency in the management of the sugar industry. DVA maintains very complete data and is recognized by Government and private industry as having the most accurate industrial statistics in Venezuela.

DVA acts as an intermediary between the sugar producers and lending institutions in the financial negotiations involving sugar consigned to DVA, maintaining controls satisfactory to the lender and thus simplifying the processing of the loans.

DVA has benefited the sugar industry by rationalizing its sales and distribution system, it has kept sales and distribution costs to a minimum and has provided for easy and timely financing of sugar stocks.

DVA has benefited the canegrowers by stabilizing their income and making credit sources available; also by making available very valuable information on sugar yields, varieties, and productivity.

DVA has benefited the consumers by maintaining a plentiful and stable supply of sugar at reasonable prices..

THE VENEZUELAN SUGAR INDUSTRY

Sugar has been produced in Venezuela for 400 years, but the first mills were not installed until 1905. The industry was a small one up to the mid-1950's when both the Venezuelan Government and private capital began an intensive development of the country's sugar resources.

A Government sugar program was developed to strengthen the agricultural economy of the country, insure employment in the undeveloped areas and provide domestically an essential food product for which large amounts of foreign exchange had been required in earlier years. Several sugar mills were built through Government financing. The Government plan was to develop these sugar mills into financially sound businesses and then make it possible for the cane farmers who supplied the mills to purchase the milling facilities. At the present time, the Venezuelan Government owns six sugar mills, the largest of which accounts for 45 percent of its total production; this mill was formerly owned by canegrowers who met with financial problems causing the Government to undertake the operation of the mill.

The total investment in sugarcane farming, involving land, irrigation, farm machinery, housing, storage, and other facilities, amounts to approximately $55 million. The working capital employed by the industry is about $10 million. The total investment in American mill equipment is approximately $58 million. Total investment in the sugar industry amounts to $102 million after depreciation, the net return on investment capital being a little less than 7 percent per annum.

It is obvious that the survival of the cane sugar industry of Venezuela depends on a fair price for the sugar producers. In spite of increased productivity in the fields and the high efficiency of the mills, the basic elements of the economy of Venezuela will not permit production costs to be lowered to meet world market prices. This is due in part to the wealth created by Venezuela's petroleum resources and in part to ecological factors which are more favorable to other producing countries.

The production cost of raw sugar in Venezuela is about 6½ cents per pound. Refined sugar, which retails at 10 cents per pound, is sold at the mill for 8.3 cents per pound or about seven-tenths of a cent over the manufactured cost. This domestic price structure has permitted the growth of a modern, efficient industry and has encouraged the search for increased productivity. The surplus now being produced is the result of this increased productivity in field and mill.

Venezuela has not sought participation in the American sugar market in the past for the following reasons: (1) Such surpluses as have existed in the past were due to adjustment of a rapidly growing industry to the internal demand for sugar and Venezuela was not in a position to guarantee the supply of a sizable amount of sugar over a long period of time. Now Venezuela, with her rapidly growing sugar industry, is in a position to participate in the U.S. sugar market and is ready and willing and desires to participate equitably with her Latin American neighbors and (2) the U.S. purchase price for sugar is very close to Venezuela's cost of production.

The importance of the Venezuelan sugar industry to the development of a stable agricultural base for the economy of Venezuela has been demonstrated by the following facts:

The industry employs approximately 50,000 persons in the areas that would not otherwise have important economic activity.

It has been proven that sugarcane can produce the best economic return of any large volume crop suitable for Venezuelan agriculture.

The sugar industry is the most important agricultural industry of Venezuela, it contributes 1 percent of the gross national product and shows a productivity per individual employed seven times greater than any other agricultural endeavor of the country. It has been growing at a rate of 10 percent per year, whereas the economy as a whole has been growing at 6 percent yearly during the last decade.

Thus, the sugar industry creates a flow of wealth to the interior of the country, in great need of development away from the main cities which carry 93 percent of Venezuela's economic activity; hence a more balanced growth is attained and social problems are eliminated.

As a result of the increased productivity of the sugar industry, Venezuela can now count on a minimum annual surplus of 60,000 tons of sugar for the next 10 years.

LABOR-MANAGEMENT RELATIONS IN THE SUGAR INDUSTRY

Labor relations in the sugar industry have been excellent, and have produced outstanding benefits for the workers. The fine labor-management relations in the sugar industry have been an important factor in the industry's increased productivity.

The collective bargaining contract between the sugar industry and labor was signed on June 2, 1959, by the sugar mill owners and FETRAOADE, a labor organization, representing all the sugar workers' unions of the country. This contract contained many benefits in addition to those included in the basic labor law, such as:

Prizes for nonabsenteeism.
Bonuses on births of children.
Increased wages for night and overtime work.
Paid days off for death or sickness in the family.
Bonuses and paid time off when worker marries.
Payment on worker's death to his family of all sums due the worker if he had been discharged.
Payment of 19 days wages for 15 days vacation.
Supply of school supplies and scholarships for worker's children.
Free medical assistance and medicines for workers and their families.

In January 1962 a new contract was signed embracing the same benefits contained in the 1959 contract, plus the following benefits:

The millowners agreed to facilitate the establishment of consumers cooperatives among their employees, provide the capital, the stores and the technical assistance required for the successful operation of the cooperatives.

The millowners agreed to carry out a program to provide housing for every worker in the industry.

The factories agreed to contribute to a collective life insurance program and to a system of credit cooperatives.

The 1962 labor-management sugar contract has been an outstanding success and has been recognized by Latin American organizations as an outstanding accomplishment in the field of labor-management relations.

Since the 1962 contract went into effect, over 1,000 homes have been built in 11 communities near the sugar mills. A group insurance policy covers all home purchasers against total or partial loss of earning power and insures full homeownership against all risks.

Cooperative stores have been organized by a cooperative soicety which operates them on its own responsibility, with the workers buying stock according to their means, on a voluntary checkoff basis. Workers willing to invest in the co-ops may get loans from the sugar companies for as much as 90 percent of their commitments, without interest. The expansion of the sugar business has shown the need for a wholesale cooperative to centralize purchasing for all sugar mill cooperatives, which could be made available to other supermarkets in the country.

Status of the sugarworker

The average base salary of the industrial sugar worker is $4.400 per day, that of the agricultural worker is $3.30 per day. Fringe benefits amount to 40 percent of base industrial salary. Child labor is prohibited under Venezuelan law.

Every sugar industry worker has the option to buy a house valued at 10 times his monthly wage, up to 40 percent of the value of such housing is paid by the sugar millowners. The balance can be financed through Government agencies for 20 years without interest. This program involves a contribution of some $2,200,000 on the part of the millowners.

The workers of each sugar mill have the right to establish either consumers cooperatives or mutual loan funds, to be financed by interest free loans from the millowners.

The sugar worker shares in the profits of the company and may receive up to one-sixth of his salary as his share.

The worker receives free medical assistance and medicines for himself and the members of his family.

The object and result of the sugar industry labor policy is to provide stability for the industry and incentive for the worker. The sugar industry worker is now the most productive and best paid employee in Venezuelan agricultural industry.

United States-Venezuela relations

The United States and Venezuela have enjoyed friendly relations for over a century and a half. As early as the year 1824, the United States and Venezuela entered into a Treaty of Friendship, Navigation, and Commerce, and over the years both countries have entered into many commercial and reciprocal trade agreements, the latest being in 1952.

Immediately after Pearl Harbor was attacked, Venezuela declared war on Japan and Germany. Venezuela rendered many affirmative services to the United States and the allied cause during the war, among other things, it guaranteed the United States and the Allied Nations a continuing supply of oil, so essential to the free world and victory.

Venezuela supported, unequivocally, the position of the United States in the recent Cuban crisis.

We should like to record the late beloved President Kennedy's sentiments toward the Government and people of Venezuela on his triumphal visit to that country in December 1961: "I come to Venezuela as the first American President to make an official visit to your country. But, in a very real sense, I also came in the footsteps of another American President—Franklin Roosevelt, for it was he who understood the interdependence of my country and yours—who swept away the outmoded attitudes of the past—who looked to you for help and guidance in times of deepest danger—and who dedicated my Nation to the policy of the good neighbor.

"In 1936, President Roosevelt said, in Buenos Aires, that lack of social or political justice is always cause for concern. 'Through democratic processes, we can strive to achieve for the Americas the highest possible standard of living conditions for all our people.'

"Here in Venezuela, that principle—the achievement of social and economic justice under democracy—is being carried forward. Your distinguished President, Romulo Betancourt, is demonstrating the capacity of free men to realize their aspiration without sacrificing liberty or dignity.

"He has reestablished democratic government after a decade of dictatorship—and he has carried forward a solid and responsible program of economic progress after a decade of false show, waste, and indifference to the needs of the people. The liberal, progressive democracy which he represents is the best hope of the Alliance for Progress.

"And so on this, my first visit to Latin America, I come to take counsel with your leaders—to learn more of the problems of your country—to demonstrate the deep concern of my people for their friends to the south—and to witness the magnificent example of vital democracy which is being carried forward in Venezuela."

President Betancourt, of Venezuela, replied to President Kennedy as follows: "To you, Mr. President and the Secretary of State, I wish to say that I may be President of a small Latin American country with only 8 million people, but I can assure you, Mr. President, that I, as President now, and others who will follow me, will work together so that Latin America will become what you have so eloquently described. We ant to work for a serious transformation of Latin America, for a change in depth of its economic and social structures. We want to benefit our people, who are under attack of Soviet propaganda that is so cunningly channeled through Havana. If we don't fulfill our task, the continent will still be poor when Castro's regime is gone; there will still be economic underdevelopment and life conditions will still be unacceptable. Those who think as I do, do not pretend and do not claim that the United States alone can solve these problems. I believe that our own efforts and our own work are extremely important, and this is actually the philosophy of the Alliance for Progress. Venezuela stands with the United States in common dedication to the Western democracies and Christian values."

President Lyndon Baines Johnson, in dedicating the Venezuelan Pavilion at the World's Fair in New York on May 9, 1964, expressed the historic, traditional, and friendly relations existing between United States and Venezuela, when he stated: "This is a real honor for me to come here today and be with my old and delightful friend, President Betancourt.

"As President of a democracy, I am proud to be present at the pavilion of another great democracy whose vision and spirit have lighted not only this hemisphere but all the world, and to be present here with the leader of that democracy during the time that great effort was being made.

"Under progressive leadership, Venezuela is moving vigorously and moving successfully to prove, as Franklin D. Roosevelt said, that 'democracy is the one form of society which guarantees to every new generation of men the right to imagine and to attempt to bring to pass a better world.'

"Every nation, whatever its system of government, whatever its ideological fate, must take note of President Betancourt's and Venezuela's progress in improving the general welfare of her people, in stimulating its economy, in doing that which is good for humanity.

"Mr. President and Mr. Ambassador, your country is in the vanguard of a better world. Your progress demonstrates that social reform and economic development are possible within a democratic constitutional framework and that such a framework offers the most hope to the most people, the greatest good for the greatest number.

"But I do want you to know that we are going to forge full steam ahead to build the kind of hemisphere that you and my predecessor, the late, beloved John F. Kennedy, envisioned together, and we will execute it together."

Venezuela under its Presidents—Romulo Betancourt and Raúl Leoni—has been irrevocably committed to the principles of free constitutional government, feeling that under this form of government man can achieve a great measure of freedom, as well as a larger measure of prosperity. These principles have often been enunciated by the present Venezuelan Ambassador to the United States, Enrique Tejera-París.

This philosophy of government was eloquently expressed recently by President Leoni, when he said: "We are thus building the foundations of a democracy which is conscious of its social mission. We place emphasis on the social content of our regime because without it all efforts to achieve dynamic change would be in vain. And in spite of the threats posed and the aggression to which we are subjected, all Venezuelans—civilian or military, entrepreneur or worker, university student or technician—are without loss of liberty realizing the fruits of revolutionary change. Though we may have made a late entrance into the 20th century, we now live in the serene conviction that we will arrive on time at the threshold of the 21st."

Government of Venezuela

The Venezuelan Government is a free constitutional democratic form of government, patterned after the U.S. Government, divided into three branches, the executive, legislative, and judicial.

The President is elected by the people for a period of 5 years and cannot seek reelection until 10 years subsequent to the end of his term of office.

The President appoints his own Cabinet Ministers, 13 in number, who head the executive departments; acting jointly, they comprise the Council of Ministers.

The Venezuelan Congress consists of a Senate and a Chamber of Deputies elected by the people for a term of 5 years. Congress is required to meet twice a year. All legislation must be passed by both Houses of Congress; any differences between the two Houses are resolved by a majority vote of the Houses in joint session.

The judicial branch of the Government is vested in a Supreme Court of Justice composed of 15 justices and various lower courts. Justices of the Supreme Court are elected by Congress in joint session for 9-year terms, one-third being renewed every 3 years. The Supreme Court has the power to declare any executive or legislative act unconstitutional. In 1963, the court handed down a landmark decision outlawing the Communist party.

The Venezuelan Constitution contains safeguards relating to individual and collective duties, rights, and guarantees of all the people.

Venezuela is a member of the following organizations: (1) United Nations, (2) Organization of American States, (3) Alliance for Progress, (4) International Bank for Reconstruction and Development, (5) International Monetary Fund, (6) International Finance Corporation, (7) Inter-American Development Bank, (8) Organization of Petroleum Exporting Countries, (9) International Labor Organization, and (10) International Civil Aviation Organization.

Area and population

Venezuela is the seventh largest country in Latin America, with an area of 352,000 square miles, having a coastline of 1,750 miles on the Caribbean Sea and Atlantic Ocean and is bounded on the west by Colombia, on the south by Brazil, and on the east by British Guiana.

Venezuela's population at the end of 1964 was 8,573,000. The population has increased at an estimated average annual rate of 3.9 percent during the years 1950 through 1964. In spite of this rate of population increase, the average population density is only about 24 persons per square mile. Population distribution has been significantly influenced by climate, geography, and economic development. About 88 percent of the population is concentrated in the Andes Highlands, the northern coastal mountain range and the Maracaibo Basin, which comprise about 19 percent of the land area of the country.

Urban population has increased at a greater rate than the population as a whole. The population of metropolitan Caracas, according to the 1961 census, was 1,336,119 and was estimated to be 1,632,000 at the end of 1964. The next three largest cities and their estimated populations at the end of 1964 are: Maracaibo, 516,000; Barquisimeto, 232,000; and Valencia, 187,000.

Venezuela's economy

Since the end of World War II, Venezuela has had one of the world's fastest growing economies. During the years 1950 through 1964, gross national product, expressed in constant prices, increased 134 percent an average annual increase of 6.7 percent. During the same period, population increased 65 percent, an average annual increase of 3.9 percent. In spite of this growth in population, average per capita gross domestic product increased 42 percent, an average annual increase of 2.8 percent. During the years 1954 through 1963, the manufacturing index increased at an average annual rate of 17.4 percent. Transportation facilities have been greatly improved, particularly the highway network.

Industry in Venezuela is predominantly privately owned and operated.

During the period of Venezuela's political transition in the late 1950's and the end of the petroleum boom following the settlement of the Suez crisis, there was a general contraction of business activity in Venezuela, which was accompanied by substantial capital outflows, budget deficits, and loss of foreign exchange reserves. Various measures were taken to check the loss of reserves and restore balance of payments and fiscal equilibrium; business activity started to increase in 1962, further increasing in 1963 and 1964. In terms of constant prices, preliminary estimates for 1964 indicate increases over 1963 of 7 percent in gross national product, 4.5 percent in petroleum production, 17 percent in manufacturing, 7 percent in agricultural production, and 15 percent in construction.

Venezuela has the highest per capita gross national product in Latin America, a rapidly growing economy and an expanding middle class. During the years 1950 through 1964, gross national product at constant prices increased at an average annual rate of 6.7 percent, compared to corresponding population increases of 3.9 percent, which resulted in substantial improvement in the standard of living. In recent years, the growth of the manufacturing sector has been faster than that of the petroleum industry, reflecting the Government's policy of encouraging diversification of the economy. This growth has been accompanied by relatively stable price levels. Budget surpluses have been recorded in each of the last 3 years.

While encouraging agrarian reform, the Venezuelan Government has started an ambitious and vast industrialization plan designued to transform an oil economy into a modern diversified economy. To meet the challenge of the explosive population increase, 400,000 new jobs must be created in the next 4 years, most of them to provide a living for the 80,000 workers that annually join the labor market. Following a traditional pattern, leading American corporations doing business in Venezuela cooperate with Venezuela's private and official institutions in creating employment. One of the paradoxes of Venezuela's economy is that the petroleum industry, which produces over 70 percent of the Government's income and contributes approximately one-fifth of the gross national product, employs about 37,000 workers or 1.3 percent of the working population because of the advanced technology in this field. Although petroleum will continue to be a principal part of the country's economy in the future, continuing efforts are being made to see that the agricultural and industrial sectors develop their own capacity to contribute to the diversification of the economy. This obviously will have a multiple effect on the entire Venezuelan economy. Meanwhile, the high purchasing power of the currency and the lack of restrictions against the importation of capital have caused a concentration of capital in nonproductive activities, which aggravates the employment problem. Because of this, the creation of new sources of work—for example, development of the sugar industry—is, and will continue to be a central objective.

Venezuela's petroleum industry

For the past 40 years the petroleum industry has been the cornerstone of Venezuela's economy. This industry has not only provided the principal source of Government revenues and foreign exchange receipts but has also stimulated, both directly and indirectly, extensive economic, industrial and social changes. The growth of manufacturing industries and of an expanding middle class is due, to a considerable extent, to the continuing stimulus provided to Venezuela's economy by the petroleum industry. In 1963, the petroleum industry accounted for about 29.9 percent of gross national product, 52.6 percent of Government revenues and 93.3 percent of exports. In 1963, the industry accounted for 1.3 percent of the employed labor force, but contributed about 9 percent of total wages and salaries.

Venezuela is the third largest petroleum producer in the world, accounting for 12.1 percent of total world output in 1964, outranked only by the United States and the Soviet Union, which accounted, respectively, for 29.0 percent and 15.5 percent of total 1964 world production. Venezuela has been the world's largest petroleum exporting country during the last three decades, accounting for 26.7 percent of total world net exports of crude oil and refined products in 1964.

Three major petroliferous basins are in production in Venezuela: the Maracaibo Basin, the largest oil field in the Western Hemisphere; the eastern basin in the northeastern part of Venezeula; and the Apure-Barinas Basin, southeast of Lake Maracaibo, which entered production in 1948. During the years 1953 through 1963, proved petroleum reserves have fluctuated between a high of 17.7 years of production in 1958 and a low of 14.4 years in 1962 and 1963. At the end of 1963, proved reserves in existing fields amounted to 17 billion barrels, but additional recoverable reserves in these fields have been estimated to be at least equal to this amount. In addition, there exist other potential areas, such as the area of very heavy crude deposits north of the Orinoco River and those in the Gulf of Venezuela and in the southern part of Lake Maracaibo.

Venezuela's petroleum industry is composed of 50 companies, the majority representing American capital; 16 companies operate producing concessions, and the balance have individual or joint interests in nonproducing concessions or concessions operated by others. The major companies operating producing concessions together with their respective percentages of total 1964 crude production are as follows: Creole Petroleum Corp., a subsidiary of Standard Oil Co. (New Jersey), 39 percent; Cia. Shell de Venezuela, Ltd., a subsidiary of the Royal Dutch-Shell Group, 28 percent; and Mene Grande Oil Co., a subsidiary of the Gulf Oil Corp., 12 percent. In addition, subsidiaries of each of the following oil companies accounted for 2 percent or more of total petroleum production; Sun Oil Co.; Socony Mobil Oil Co., Inc.; Texaco, Inc.; Phillips Petroleum Co.; and Standard Oil Co. of California.

Petroleum production and export statistics

[In thousands of barrels]

Year	Crude petroleum production	Percentage change over preceding year	Crude runs to still	Exports [1]			Domestic demand [2]
				Crude oil	Refined products	Total	
1953	644,223	−2.4	150,693	488,862	117,618	606,480	27,256
1954	691,788	+7.4	161,853	528,634	126,250	654,884	32,825
1955	787,384	+13.8	195,866	590,816	147,812	738,628	38,812
1956	899,183	+14.2	288,259	675,270	170,951	846,221	45,169
1957	1,014,424	+12.8	251,322	758,775	181,536	940,311	51,721
1958	950,767	−6.3	267,105	687,725	201,855	889,580	47,879
1959	1,011,419	+6.4	300,776	719,835	221,033	940,868	49,047
1960	1,041,675	+3.0	322,915	730,962	251,747	982,709	46,683
1961	1,065,757	+2.3	338,729	743,711	265,300	1,009,011	46,467
1962	1,167,916	+9.6	374,288	810,485	291,274	1,101,759	48,834
1963	1,185,511	+1.5	380,306	818,325	303,537	1,121,862	49,175
1964	1,241,782	+4.7	399,660	860,063	315,422	1,175,485	53,211

[1] Direct exports.
[2] Domestic demand for refined products, including bunker fuel.

The rate of increase in Venezuela's crude oil production has reflected changes in demand in world markets and competition from other export centers. During the years 1955 through 1957, Venezuelan oil output increased at exceptionally high annual rates due to the surge in world demand for Venezuelan petroleum, created in part by the Suez crisis. Although production decreased in 1958, it has increased at an average annual rate of 4.6 percent since 1958. Annual production increases, however, have fluctuated widely from year to year.

PETROLEUM MARKETS

Venezuela's share of world oil exports has declined in recent years as production in the Middle East has increased and exports have come into the market from new areas, principally the Soviet Union and north Africa. In spite of a 77-percent increase in Venezuelan oil exports from 1953 through 1963, Venezuela's share of total net world oil exports decreased from 46.9 to 26.3 percent, while the Middle East's share increased from 44.7 to 54.1 percent. The Soviet Union and north Africa, which had virtually no oil exports in 1953, accounted for 6.1 and 8 percent, respectively, of total world net exports in 1963. Venezuelan oil is generally at a competitive cost disadvantage as compared to Middle Eastern and north African oil because taxes, wages and other costs are higher in Venezuela. On the other hand, since Venezuelan crude oils are characterized by high gravity as compared with the lower gravity of the Middle Eastern and north African crudes, a factor favorable to Venezuela is the growing demand in the United States and Europe for imported heavy crude and fuel oils. Another favorable factor is the desire of the international producers to maintain diversified sources of supply. The Government has sought to discourage exports which are not consistent with its policy of maintaining adequate price levels for Venezuelan oil in world markets.

The principal markets for Venezuelan petroleum exports are shown in the following table:

Exports and destination of crude oil and refined products [1]

	1953		1955		1957		1959		1961		1963		Percentage change, 1953–63
	Thousand barrels	Percentage	Thousand barrels	Percentage	Thousand barrels	Percentage	Thousand barrels	Percentage	Thousand barrels	Percentage	Thousand barrels	Percentage	
United States	238,802	38.7	299,157	40.0	391,172	42.2	403,836	44.1	420,243	43.0	449,606	41.3	+88
Canada	36,658	10.3	82,578	11.0	97,876	10.6	97,804	10.7	101,221	10.4	111,316	10.2	+75
European Economic Community	37,853	6.1	62,844	8.4	81,006	8.7	58,681	6.4	86,336	8.8	123,566	11.3	+226
Other European countries	66,572	10.8	94,524	12.6	129,357	14.0	116,814	12.7	144,417	14.8	172,717	15.9	+159
Central America	45,344	7.4	55,521	7.4	85,752	9.2	108,158	11.8	60,805	6.2	95,109	8.7	+110
South America	90,362	14.7	97,261	13.0	103,034	11.1	102,874	11.2	122,208	12.5	97,805	9.0	+8
Others	74,281	12.0	55,809	7.6	39,307	4.2	28,610	3.1	41,475	4.3	39,631	3.6	−47
Total	616,872	100.0	747,694	100.0	927,504	100.0	916,777	100.0	976,705	100.0	1,089,750	100.0	77

[1] Includes exports from Aruba and Curacao and eliminates exports from Venezuela to Aruba and Curacao. Substantially all crude oil refined in those islands is imported from Venezuela.

As shown in the table, the United States, particularly the eastern seaboard, is the principal export market for Venezuelan crude oil and refined products accounting for 41 percent of Venezuelan exports in 1963. Exports of Venezuelan petroleum to the United States have been affected by the introduction of mandatory controls on oil imports by the United States in March 1959. Even though Venezuela's exports to the United States increased by 88 percent from 1953 through 1963, Venezuela's share of the total U.S. imports declined from 63 percent in 1953 to 57 percent in 1963. Crude oil represented 41 percent and fuel oil 48 percent of total Venezuelan oil exports to the United States in 1963. Venezuelan exports to Europe increased by 184 percent from 1953 through 1963 and the European countries took 27 percent of total Venezuelan exports in 1963 as compared with 17 percent in 1953. However, Venezuela's share of the European Economic Community imports declined from 12 to 10 percent in that period as competition increased from Middle Eastern, north African, and Soviet crudes. Crude oil represented 51 percent and fuel oil 16 percent of total Venezuelan oil exports to Europe in 1963. Canada's share of Venezuelan petroleum exports remained relatively constant at approximately 10.5 percent during the years 1953 through 1963. The decline in the percentage of total Venezuelan exports taken by the South American market has been due in large part to the increasing self-sufficiency in petroleum of Argentina and to purchases by Brazil and Uruguay from other exporting countries.

Refining

Refining capacity in Venezuela increased from 444,970 barrels per stream day in 1953, to 883,000 barrels in 1958, and to 1,127,400 barrels in 1963. Of the 381 million barrels of products refined in 1963, 56 percent was accounted for by fuel oil, 21 percent by diesel and gas oil, 13 percent by gasoline and naphtha and the balance by kerosene, asphalt, lubricants and other products. In 1963, approximately 32 percent of Venezuela's crude oil production was refined in the country. Most of the refined products were exported because the Venezuelan market consumed only 13 percent of production. At the end of 1963, there were 2,178 miles of trunk pipelines and 1,675 miles of secondary pipelines which were used principally to transport crude oil and refined products to export terminals on the coast.

Investment

In 1963, the oil industry's net accumulated investment in fixed assets in Venezuela amounted to Bs7,922 million compared with a high of Bs10,375 million in 1959, and Bs5,460 million in 1953. As a result of the grant of oil concessions in 1956 and 1957, and of the increase in demand for Venezuelan petroleum during the Suez crisis, there was an unusual increase in new investment in the years 1956 through 1959, which was followed by a sharp decline in the years 1959 through 1962. New investment increased by an estimated 6 percent in 1963, and an estimated 25 percent in 1964. Programs for 1965 presented by the industry to the Government indicate a further increase in new investment over the 1964 level of investment. A summary of the investment of the industry is shown in the following table:

Venezuelan petroleum industry—Current and accumulated investment in fixed assets

[Millions of bolivars]

	1953	1954	1955	1956	1957	1958	1959	1960	1961 [1]	1962 [1]	1963 [1]
Gross accumulated investment	9,873	10,212	10,937	13,038	15,828	17,218	18,803	18,987	19,155	19,253	19,183
Net accumulated investment	5,460	5,534	5,649	7,023	9,002	9,652	10,375	9,771	9,140	8,505	7,922
New investment [2]	901	933	928	1,160	1,822	1,788	1,262	730	516	474	503
Depreciation and amortization	558	613	680	732	812	836	939	948	929	911	872

[1] Excluding revaluation of fixed assets.
[2] Data for 1956 and 1957 does not include payments for new concessions, which amounted to Bs1,046,000,000 in 1956 and Bs1,042,000,000 in 1957.

Exploration activity has declined sharply since 1958. The number of crew-months spent in geological and geophysical activities decreased from 409 in 1958, to 38 in 1963, and to a low of 24 in 1964. At the end of 1964, a group of nine major oil companies undertook an extensive seismic survey of an area of 1,260,200 acres in the southern part of Lake Maracaibo and in the Gulf of Venezuela, which was the largest area covered by geophysical studies in Venezuela since 1959. The number of new exploratory wells completed also decreased from 168 in 1958 to a low of 54 in 1963. In 1964, however, the number of exploratory wells increased to 61. In recent years additional emphasis has been placed on investments in secondary recovery projects which have resulted in increases in proved reserves and the storage of natural gas through reinjection. An estimated 2.2 billion barrels were added to proved reserves through secondary recovery projects in the decade ending in 1963. In 1964, over 420 million barrels were added to reserves by both gas and water injection methods. At present there are two major secondary recovery plants under construction at a total cost of Bs 130 million.

Concessions

In accordance with the Hydrocarbons Law of 1943, concessions presently covering 7,443,540 acres were granted or renewed for a period of 40 years expiring in 1983 and 1984. New concessions granted in 1956 and 1957, which presently cover 571,007 acres, will expire in 1996 and 1997. In 1960, the Government announced that no further oil concessions would be granted to private companies. In 1962, the Government proposed a new system of service contracts under which foreign companies would engage in development activities for the Venezuela Petroleum Corp., an autonomous Government institution. Several companies have expressed interest in considering possible new arrangements with the Government with respect to new areas.

Financial summary

There is set forth below a financial summary, including taxes payable to the Government and return on invested capital, for the petroleum industry for the years 1953 through 1963:

Financial summary of the petroleum industry—1953–63

[Millions of bolivars]

	1953	1954	1955	1956	1957	1958[1]	1959	1960	1961	1962	1963
Total income	4,892	5,337	5,875	6,829	8,463	7,662	7,289	7,287	7,477	7,915	7,902
Net profit after taxes	1,261	1,412	1,710	2,115	2,774	1,616	1,335	1,282	1,477	1,693	1,677
As a percentage of total income	25.8	26.5	29.1	31.0	32.8	21.1	18.3	17.6	19.8	21.4	21.2
Percent return on invested capital	18.9	20.5	24.8	29.0	31.9	16.8	18.1	12.1	[2]14.5	[2]17.8	[2]19.2
Taxes:											
Income taxes	507	585	712	931	1,199	1,465	1,260	1,070	1,216	1,462	1,546
Royalties	786	874	1,003	1,188	1,550	1,415	1,444	1,503	1,553	1,703	1,731
Other	209	117	126	162	241	186	156	138	130	143	142
Total	1,502	1,576	1,841	2,281	2,990	3,066	2,860	2,711	2,899	3,308	3,419
Taxes as a percentage of net profits before taxes	54	53	52	52	52	65	68	68	66	66	67

[1] In 1958, the maximum income tax rate was increased from 28.5 to 47.5 percent.
[2] Excluding revaluation of fixed assets.

The Government's share of profits from the industry increased sharply commencing in 1958 as income tax rates were increased in that year. The Government's share of profits before taxes averaged 52.6 percent during the years 1953 through 1957, and 66.7 percent during the years 1958 through 1963. In 1963, the oil industry had a 19.2-percent rate of return on invested capital. Government revenues from the oil industry are derived principally from the following taxes: (*a*) An income tax levied on profits at a progressive rate, the maximum rate being 47.5 percent on profits exceeding Bs28 million; (*b*) a royalty based upon a percent of production (generally 16⅔ percent) or the value thereof based on a formula related to Texas posted prices; (*c*) import duties; and (*d*) surface taxes and other miscellaneous Federal and local taxes. Texas posted prices in recent years have been substantially higher than prices actually realized by the oil companies. As a result of the change in exchange rates in January 1964, the exchange profits realized by the Government in connection with exchange transactions with the oil companies have been virtually eliminated. On the other hand, since taxable income will be reported and royalties paid on the basis of the new exchange rate, the increase in Government receipts from these sources are expected to more than offset the loss of revenues from foreign exchange transactions.

Venezuelan Petroleum Corporation

In April 1960, the Government established the Venezuelan Petroleum Corp. (Corporacion Venezolana del Petroleo—"CVP") as an autonomous institution to engage in all aspects of production, refining, and distribution. CVP has petroleum areas assigned to it which presently amount to 672,033 acres. By the end of 1964, CVP had 15 producing oil wells. CVP produced 2.3 million barrels of crude oil in 1964, and had net investments of Bs157.5 million at the end of the year. In December 1964, the Government announced plans for CVP, which presently serves approximately 3 percent of the Venezuelan gasoline retail market, to obtain one-third of the Venezuelan retail market for all refined petroleum products by the end of 1968. A program for the allocation of new outlets was announced as well as plans to transfer to CVP certain existing outlets presently distributing products of the private oil companies.

Venezuelan iron ore exports

[Metric tons]

Country	1963	1964	Total increase	1964 distribution, percent
United States [1]	9,328,399	10,138,310	809,911	68.07
Germany	1,044,117	2,149,468	1,105,351	14.43
Britain	1,383,746	1,685,785	302,039	11.32
Italy	597,439	885,294	287,855	5.95
Holland	0	34,542	34,542	.23
Total	12,353,701	14,893,399	2,539,698	100.00

[1] Venezuela supplies 68.07 percent of its iron ore to the United States.

NOTE.—Venezuelan iron ore exports totaled 14,893,399 metric tons in 1964, compared with 12,353,701 metric tons exported in 1963.

Venezula's foreign trade

Foreign trade plays a vital role in the Venezuelan economy. For the 5 years ending December 31, 1963, exports and imports accounted for about 31 and 16 percent respectively, of gross national product. Since 1926, Venezuela has had a surplus of exports over imports. During the years 1959 through 1963, exports averaged 186 percent of imports. While exports of $2,533 million in 1963 were slightly above the 1958 level of exports, imports (c.i.f.) decreased by 33.2 percent to $1,122.3 million in 1963.

Petroleum and petroleum derivatives accounted for an annual average of 92.4 percent of total exports during the years 1959 through 1963. The composition of imports has been changing, reflecting the growing self-sufficiency and diversification of the economy. The proportion of consumer goods to total imports has been decreasing while that of capital goods and raw materials has been increasing.

The following table indicates the total value of commodity exports and imports for the years 1959 to 1964:

Balance of trade

[Dollar amounts in millions]

	Exports (free on board)	Imports (cost, insurance, and freight)	Balance-of-trade surplus	Exports as percent of imports
1959	$2,326.3	$1,689.9	$636.4	137.7
1960	2,392.7	1,273.6	1,119.1	187.9
1961	2,452.0	1,229.6	1,222.4	199.4
1962	2,533.1	1,265.6	1,267.5	200.2
1963	2,533.0	1,122.3	1,410.7	225.7
1964 (9 months) [1]	1,837.2	826.7	1,010.5	222.2

[1] Preliminary.

The following table shows the volume and prices of exports and imports, and Venezuela's terms of trade (i.e., the relationship of the prices of exported articles to the prices of imported articles), for the years indicated:

Terms of trade, 1948=100

	Exports		Imports		Terms of trade
	Volume	Price	Volume	Price	
					Percent
1959	211.9	$102.9	148.5	$137.3	75.0
1960	222.3	103.5	114.4	134.1	77.2
1961	224.2	99.1	105.8	143.8	68.9
1962	242.6	96.4	105.0	159.2	60.6
1963	246.0	96.1	101.4	155.7	61.7

Geographic distribution of foreign trade

[Percent]

	1959		1961		1963	
	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from
United States	49.5	53.2	46.5	54.9	39.9	54.6
Canada	4.4	3.3	4.9	4.2	10.1	5.0
Other Western Hemisphere countries:						
Latin American Free Trade Association countries	9.7	1.4	8.6	1.6	5.1	2.9
Other	9.6	.2	7.9	.7	10.3	.6
Europe:						
European Economic Community	6.3	23.4	8.2	21.5	11.7	19.2
Other	11.9	13.1	13.2	13.1	14.8	13.2
All others	8.6	5.4	10.7	4.0	8.1	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

The above table shows that while the export percentage to the United States declined considerably, the percentage of imports has remained constant and, in fact, has increased slightly.

Some of the U.S. exportable items to Venezuela over the years are as follows: live animals; meat; milk and cream; eggs; wheat, unmilled wheat and unmilled corn; cereals; fruits; vegetables; sugar preparations; fodder; oilseeds; rubber; paper; pulp and waste paper; cotton; mineral fuels and lubricants; animal and vegetable oils and fats; chemicals; paper; textiles; mineral manufactures; glassware; iron and steel products; copper; aluminum; power-generating machinery; agricultural machinery; tools and implements; industrial machinery and equipment; aircraft; furniture; clothing; scientific, medical, optical measuring and controlling instruments and apparatus; photographic supplies; musical instruments; perambulators, toys, games and sporting goods; office and stationery supplies. (A table entitled "U.S. Exports to Venezuela, by Commodity Sections and Principal Commodity Groups, 1959–64" is attached. The source of the material is the U.S. Department of Commerce.)

Venezuela's balance of payments

Prior to 1958, Venezuela generally had a favorable balance of payments and it accumulated large foreign exchange reserves. During the years 1958, 1959, and 1960, however, there were substantial balance-of-payments deficits. The end of the petroleum boom after the settlement of the Suez crisis, together with political uncertainties and budgetary difficulties inherited from the Perez Jimenez regime, led to a loss of confidence and a reduction in Government investment expenditures which resulted in a general contraction of business activity, substantial capital outflow, and loss of foreign exchange reserves. The situation was aggravated by the existence of a large amount of short- and medium-term obligations that had been incurred by the dictatorship, and which the new democratic government was determined to pay as soon as possible. Various measures were taken to check the loss of foreign exchange reserves and to restore balance-of-payments and budgetary equilibrium. Import quotas and higher duties on certain goods were established in 1959, and exchange controls were imposed in 1960. As a result of these measures and the increasing self-sufficiency in foodstuffs and manufactured products, imports dropped by 33 percent from 1958 to 1963. The overall balance-of-payments deficit was sharply reduced in 1961 and 1962, and surpluses of $156 million and $96 million were achieved in 1963 and 1964, respectively. The public debt was greatly reduced and foreign exchange reserves of the Central Bank, which had dropped to $571 million at the end of 1961, increased to $825 million at the end of 1964.

Education and public health

Significant advances have been made in the field of education. From 1957 through 1964, total student enrollment increased from about 845,000 to about 1,702,000, the number of schools from 7,142 to 14,504, and the number of teachers from 27,757 to 59,419. Education in public schools is free and approximately 77 percent of the children of school age are enrolled. The National Institute for Educational Cooperation, which provides technical education to adults and adolescents, has trained about 95,000 workers since 1961. Illiteracy of the population over 14 years of age decreased from an estimated 40 percent in 1957 to 20 percent in 1964. Expenditures for education represented 12.1 percent of Government expenditures in 1964. There are 7 universities in Venezuela, of which 5 are public and 2 are private, with a total enrollment of 35,100 students.

Public health conditions have improved markedly in recent years as a result of large expenditures for medical facilities and sanitation. During the period 1951 through 1964, average life expectancy increased from 58.8 to 66.4 years and infant mortality decreased from 78.7 to 48.2 per 1,000 births. Mortality among children from 1 to 5 years decreased from 13 per 1,000 in 1951 to 5 in 1964. During the period 1961 through 1964, the number of hospitals increased from 271 to 326 and hospital beds increased from 22,406 to 28,484.

Agriculture and forestry

In 1964, agriculture, livestock, fishing, and forestry accounted for 7 percent of the gross national product and 33 percent of the employed labor force. Agricultural and livestock production represented 94 percent of the total production in that year of Bs2,085 million at constant 1957 prices. Of the total agricultural and livestock production, crops accounted for 60 percent, cattle and other livestock 22 percent, milk 14 percent, and eggs 4 percent. The principal agricultural crops are sugar, coffee, bananas, corn, rice, cocoa, yuca, potatoes, fruits, and vegetables; cattle is the principal livestock. While the country is practically self-sufficient in sugar, corn, rice, beans, fish, bananas, eggs, and coffee, it imports powdered milk, wheat, and certain kinds of fruit. In 1964, food and beverage imports represented about 7.2 percent of the total value of all imports and 9.1 percent of total food consumption. Coffee and cocoa are the principal export crops.

The value of agriculture, fishing and forestry (at constant prices) increased at an annual rate of 5.7 percent during the years 1950 through 1964, compared with an annual rate of population increase of 3.9 percent during that period. While production of export crops declined during that period, there was a substantial increase in food and industrial crop production for domestic consumption and in the production of sugarcane, dairy products, and livestock. Government programs to stimulate agricultural production have included irrigation projects, cash subsidies, liberal credits, Government purchases, support prices, and protection through tariffs and quota restrictions on imports. New highways have opened up rural areas and connected them with urban centers of consumption.

According to the 1961 agricultural census, approximately 2 percent of the nation's total land area is under crop cultivation, 3 percent under cultivated pasture, and 18 percent under unimproved pasture. The pattern of landownership is characterized by a number of extensive estates engaged principally in livestock raising and a large number of small, family-operated farms engaged principally in crop production. It was estimated that in 1956 about two-thirds of all farms consisted of less than 12½ acres and were operated at close to the subsistence level. As a result of irrigation projects undertaken by the Government, land under irrigation increased from approximately 31,875 acres in 1957 to 65,227 acres in 1960, and to 124,490 acres in 1964. Projects now under construction are expected to bring under irrigation an additional 395,854 acres by 1968.

An agrarian reform law adopted in March 1960 contains regulations limiting land tenure and provides for the distribution of public and private lands to qualified farmers, and for farm credit and improved marketing facilities. The land subject to expropriation is generally limited to uncultivated land, farms worked indirectly through renters and sharecroppers, and unimproved pastureland suitable for cultivation. Privately owned land cannot be expropriated if public land is available in the same area, and the law provides that farms of a size below certain specified limits cannot be expropriated. Land expropriated is to be paid for in cash and government bonds. Land is either sold or awarded gratuitously to new owners. From the commencement of the land reform program in 1959, until December 31, 1964, about 305,238 acres of land have been expropriated and paid for and 4,636,700 acres have been distributed to 77,528 families. The Government owns over 2½ million acres of land suitable for distribution to farmers.

Labor

The estimated working population of Venezuela at the end of 1963 was 2,715,000. Of the total employed labor force of 2,392,000 in that year, 35 percent was employed in primary industries as compared to 48 percent in 1950, 21 percent in manufacturing and other secondary industries as compared to 19 percent in 1950, and 44 percent in trade, service, and other industries as compared to 33 percent in 1950.

The agricultural and industrial unions had 1,570,000 members at the end of 1963, accounting for 66 percent of the employed labor force. Most of the unions are affiliated with the Workers Confederation of Venezuela.

President Leoni, recently describing the Venezuelan labor movement, said: "My close connection with the Venezuelan labor movement dates from those years, and in the intervening three decades of continuous and unflagging struggle the movement has succeeded in creating the powerful Confederation of Venezuelan Workers (CTV), with nearly 4,000 unions representing over 1,500,000 rural and urban workers. The CTV has always been a bulwark of constitutional government in Venezuela, in part at least because the 3-year democratic regime of 1945–48 and the regimes since 1959 have considered the material and cultural well-being of the working masses a central objective and the basic reason for the democratic revolution which our country is at present undergoing."

The first Venezuelan legislation dealing specifically with employer-employee relations, the law of workshops and public establishments, was promulgated in 1917. This established the workday as 8½ hours, but permitted lengthening by mutual consent of employer and employee. It also established paid remuneration for holidays, prohibited the employer from retaining the worker's salary, and determined safety and sanitary standards for places of work.

The labor law of 1928 superseded the workshops and public establishments law and was a result of the initiation of petroleum exploitation and the creation of the National Labor Organization. Among the more advanced aspects of this law were the determination of the workday as 9 hours and nullification of all contracts to the contrary, the obligation of the employer to indemnify workers for injuries resulting from accidents or occupational diseases, and the establishment of special standards for the employment of women and children.

The labor law of 1936 was inspired by the Mexican Federal labor law, the Chilean Labor Code, and the recommendations of the International Labor Organization. The basic provisions of this law are still in force, although revisions were made in 1945 and 1947. This law establishes paid annual vacations; length of service benefits; regulation of domestic employment; profit sharing; the right of collective bargaining; the right to strike; 8-hour day, 48-hour week; social security benefits.

The revision of the 1945 law separated agricultural labor from the provisions of the 1936 law and made such labor subject to a special regulation for agriculture and animal husbandry. It also incorporated standards governing labor unions and improved control over intermediaries.

The 1947 revision of the 1936 labor law provides many important social advances including the following: severance pay; equality between workers and salaried employees with regard to paid vacations; pay for a day of rest per week; pro rata payment for vacations earned; extension of length-of-service benefits to include death payments.

Social security law

A separate compulsory social security law provides for payments to employees in the case of illness, maternity, occupational diseases, and accidents. The cost of these payments is shared jointly by the Government, the employers, and the employees in the case of illness and maternity payments and by the Government and the employers alone in the case of payments for occupational diseases and accidents. The Government is expanding the geographical and functional coverage of the social security program and it is estimated that as of December 31, 1963, there were 326,043 employees and 616,140 relatives and dependents eligible to receive such payments.

Venezuela's debt record

During the past 20 years, the Republic of Venezuela has paid when due the full currency amount of principal, interest, and amortization requirements upon its direct and guaranteed indebtedness money borrowed.

During the period from 1952 through January 1958, the Perez Jimenez government and the autonomous institutions entered into numerous contracts for the construction of public works and the purchase of goods and services which provided for payment over a period of several years. In certain cases promissory notes or other instruments were issued by the Government or the autonomous institutions to evidence the payments due under such contracts. It was customary for the contractor or supplier to assign or discount the payments due or notes issued under those contracts with financial institutions in Venezuela and abroad. Since no adequate records were kept by the Perez Jimenez regime, it has not been possible to determine the exact amounts involved and the extent of the delays in payment which occurred during the years prior to 1958. Nevertheless, it was estimated by the Controller General of Venezuela in his report to the Congress for the year 1960 that the total amount of the obligations of the Central Government and the autonomous institutions under those contracts aggregated Bs2,871 million as of February 1, 1958. A substantial amount of these obligations were payable in foreign currencies.

After the overthrow of the Perez Jimenez regime in January 1958, the new Government conducted extensive investigations of these contracts in order to determine whether or not irregularities had occurred in connection with the amounts charged or the work done or the goods and services supplied thereunder. Substantial delays occurred in the payment of the obligations due under the contracts as it was necessary to review carefully each contract. The provisional government of May 15, 1958, directed that claims be paid only in those cases where no irregularities were found or where the balance due exceeded the amounts objected to by the Government because of such irregularities or where the contractor had agreed to correct the irregularities by reducing the stipulated contract price. On May 29, 1959, Congress ratified the action taken by the provisional government and specified additional procedures for the review by the Controller General of contracts under which claims were then pending. Pursuant to this congressional action and a resolution of the Council of Ministers of October 2, 1959, (*a*) payment was ordered on balances owing to third-party assignees after withholding amounts objected to, (*b*) payment was ordered on balances owing to the original contractors after withholding 125 percent of the amounts objected to, and (*c*) payment was ordered suspended on balances owing to persons notoriously linked with the dictatorship. An interministerial committee was appointed at the same time to study, together with representatives of the Congress, special cases relating to claims assigned to third parties on which payment in full could not be made because the amounts objected to exceeded the balances remaining unpaid under the contract. A special committee appointed in 1962, consisting of representatives of the Congress, the Ministry of Finance, the Office of the Controller General and the Office of the Attorney General, has continued the examination of these third-party claims. During the period May 15, 1958, to December 31, 1964, the Controller General reviewed 598 contracts, including 284 contracts on which no irregularities were found, 145 contracts on which objections were made but on which all balances had been paid and no amounts could therefore be withheld, and 169 contracts on which objections were made and amounts withheld.

In accordance with the foregoing procedures, payments aggregating Bs2,777,707,218 were made through December 31, 1964.

The remaining unpaid balance of Bs93,631,347 as of December 31, 1964, represents the amount withheld because of objections made by the Government upon which no settlement has been reached.

The public debt of Venezuela is relatively one of the lowest in the world. Internal and external direct and guaranteed debt of the Central Government was equivalent to $386 million at the end of 1964.

Government finance

Responsibility for preparation of the budget and administration of Government finances rests with the Minister of Finance. The President is required to submit the proposed budget for the Central Government for the following year to Congress by the second of October, except during election years, when it must be submitted by the first of July. Congress may change items in the proposed budget, but may not authorize expenditures in excess of projected revenues. The budget must include every year an appropriation at least equal to a specified percentage of total estimated ordinary revenues for distribution among the states, the federal district and the federal territories in accordance with a prescribed formula, such minimum percentages to be 14½ percent in 1965 and 15 percent in 1966 and thereafter. No taxes may be levied, money borrowed, or expenditures made unless authorized by law. Expenditures may be increased or budget items reallocated during the course of the fiscal year by the Government, with congressional approval, provided total authorized expenditures at no time exceed projected revenues.

All receipts of public revenues under the budget are credited as general funds of the Central Government to the General Treasury and all expenditures are made from such funds out of appropriations included in the budget approved by Congress. The collection of public revenues is the responsibility of the Ministry of Finance. Responsibility for the execution of the budget is assigned to the various Ministries and to the Controller General of the Republic. Expenditures are made by the respective Ministries authorized to do so by the budget.

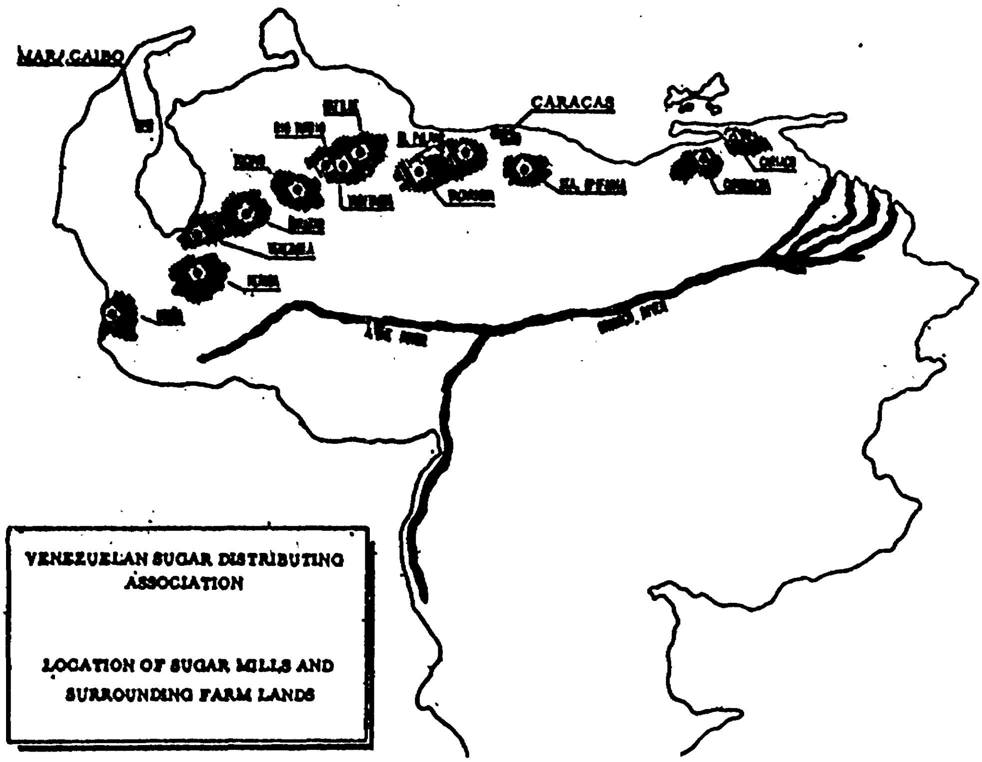
The Controller General is charged with the control, supervision, and auditing of the national revenues, expenditures and assets, and the operations connected therewith. He is responsible to and elected by the Congress and is required to submit to Congress annually a report concerning the accounts submitted to Congress by agencies and officials required to do so.

U.S. exports to Venezuela, by commodity sections and principal commodity groups, 1959–64

Nomenclature and description	1959	1960	1961	1962	1963	1964
Exports, including reexports, total	$738,851,000	$551,218,000	$515,667,000	$470,613,000	$507,091,000	$596,949,338
Reexports	2,219,000	2,803,000	2,353	4,818,000	2,777,000	2,553,986
Domestic exports, total	736,631,665	548,414,828	513,308,898	465,797,057	504,314,000	599,503,324
Sec. 0: Food and live animals	85,492,692	86,167,144	78,437,486	56,349,393	55,385,000	66,756,235
Live animals, not elsewhere classified	2,357,191	2,112,268	1,082,128	1,142,273	2,935,000	2,126,711
Milk and cream	12,277,866	12,156,502	8,284,792	4,949,261	4,249,000	3,730,426
Eggs	5,708,132	7,955,246	6,366,387	3,807,572	3,527,000	2,547,513
Wheat, unmilled	13,268,455	15,261,036	19,090,930	11,900,330	13,469,000	19,599,212
Wheat flour	2,072,453	376,915	140,696	303,149	389,319	438,501
Cereal, prepared	11,360,957	11,895,093	11,494,421	8,864,919	6,411,000	6,597,765
Fruit, fresh, and nuts	5,323,511	5,691,917	4,008,401	4,050,887	4,167,000	5,027,592
Fruit, preserved, and fruit preparation	6,142,987	4,900,548	4,461,935	2,934,986	2,687,000	2,269,612
Vegetables, fresh, frozen, or preserved	4,234,657	3,493,752	4,880,985	4,440,664	5,607,000	5,101,139
Vegetables, preserved or prepared	2,454,799	2,066,160	1,624,551	1,158,935	1,216,855	1,080,364
Sugar, confectionery and other sugar preparations	2,836,650	3,991,634	3,244,324	3,156,928	2,366,000	1,848,277
Sec. 1: Beverages and tobacco	11,190,463	3,737,974	1,846,037	1,339,479	223,000	269,926
Tobacco, unmanufactured	332,230	1,486,176	682,522	760,722	142,000	171,306
Tobacco, manufactured	10,714,900	2,205,303	1,079,478	549,001	----------------	37,452
Sec. 2: Crude materials, inedible, except fuels	10,752,366	10,522,996	16,735,304	16,363,611	17,733,000	21,987,064
Oilseeds, oil nuts, and oil kernels	696,655	744,271	1,489,167	1,600,179	1,491,000	3,286,505
Rubber, crude, including synthetic	2,613,162	3,036,842	3,449,063	3,704,900	3,097,000	3,926,259
Paper pulp and waste paper	1,997,477	2,191,762	4,021,806	4,606,754	5,718,000	7,703,132
Synthetic and regenerated fibers	267,918	685,121	703,569	1,050,784	555,000	821,508
Sec. 3: Mineral fuels, lubricants, and related materials	8,524,322	6,653,067	4,617,037	3,790,624	2,903,000	3,400,229
Petroleum products	8,506,919	6,634,566	4,463,914	3,766,568	2,385,000	3,025,376
Sec. 4: Animal and vegetable oils and fats	2,080,240	2,479,663	4,563,330	3,933,126	4,281,000	6,716,751
Animal and vegetable oils and fats, processed, waxes of animal or vegetable origin	1,023,559	1,708,566	2,771,191	2,636,127	2,902,000	1,756,279
Sec. 5: Chemicals	60,448,969	52,040,213	54,786,335	52,186,742	47,624,000	61,943,030
Organic chemicals	1,649,441	1,827,556	2,518,725	2,886,740	2,687,000	3,665,771
Inorganic chemicals: elements, oxides, halogen salts	2,674,502	2,251,683	2,529,404	2,260,810	1,706,000	2,312,434
Other inorganic chemicals	2,326,394	2,049,032	2,588,571	2,853,685	2,209,000	2,826,705
Pigments, paints, varnishes	2,605,352	1,817,658	1,998,190	1,959,444	1,589,000	2,197,196
Medicinal and pharmaceutical products	20,092,397	17,564,865	17,670,167	12,705,293	10,552,000	9,747,319
Essential oils, perfume, flavor material	2,873,424	2,715,702	2,905,517	3,045,061	3,050,014	5,574,498
Soaps, cleansing, polishing preparation	2,171,919	2,061,208	1,984,914	2,093,863	1,741,000	1,985,568
Fertilizers, manufactured	1,014,728	1,070,721	808,515	1,083,539	678,007	612,065
Plastic materials, regenerated cellulose, artificial resins	6,718,787	4,454,309	5,434,107	5,451,173	5,662,000	10,026,200

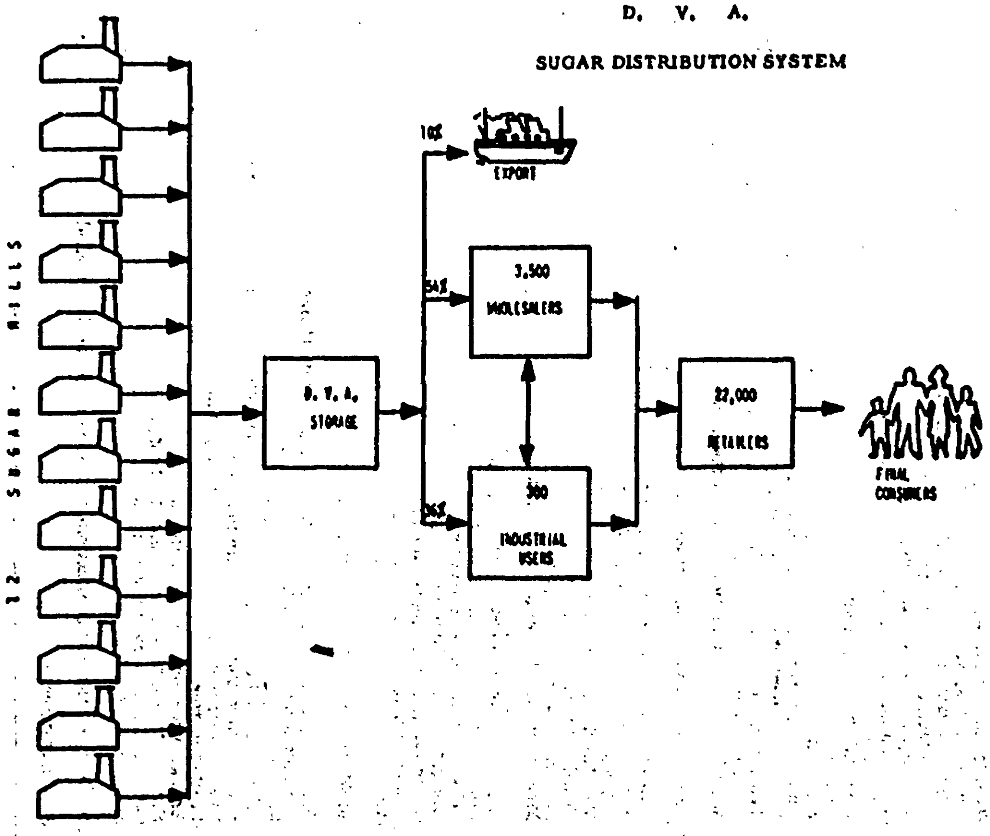
Sec. 6: Manufactured goods	105,045,075	100,980,443	99,391,708	94,022,083	105,271,000	101,975,617
Articles of rubber, not elsewhere specified	5,393,216	4,252,818	3,906,672	4,292,079	3,851,731	4,289,042
Paper and paper board	15,413,908	13,475,007	15,364,571	14,385,743	11,713,000	11,766,843
Articles of paper pulp, paper, board	7,711,316	4,406,043	2,592,632	2,764,343	2,820,269	3,286,371
Textile yarn and thread	7,540,179	6,615,839	8,065,693	8,315,232	6,825,000	9,456,596
Cotton fabrics, woven	6,673,393	4,287,602	5,556,132	3,740,421	2,975,000	4,075,950
Textile fabrics, woven, other than cotton fabrics	3,426,422	2,253,411	3,586,656	1,956,749	2,954,000	4,180,070
Special textile fabrics, related products	2,598,000	1,809,040	2,159,458	1,739,155	1,776,067	2,005,402
Made-up articles, of textile materials	4,058,019	2,652,923	3,917,918	2,426,831	2,370,000	2,564,974
Mineral manufactures, not elsewhere specified	2,450,620	2,176,859	2,187,648	2,534,201	3,449,441	3,745,280
Glassware	5,572,576	4,541,496	3,696,104	3,729,911	3,335,516	4,118,360
Iron and steel mill products	37,019,342	22,542,889	19,360,641	20,232,601	31,172,000	18,990,857
Copper	1,767,618	2,131,416	3,036,271	2,203,977	2,348,000	1,698,460
Aluminum	1,465,450	1,124,713	1,123,845	1,318,609	1,345,000	1,807,527
Finished structural parts and structures	6,345,314	2,493,676	1,786,289	1,110,052	3,392,956	2,147,176
Metal containers for storage and transport	6,280,998	3,959,253	3,269,380	2,940,288	2,663,581	3,432,230
Tools for use in machines or hand	6,718,810	6,209,974	4,073,039	4,339,726	5,005,000	5,705,330
Household equipment of base metals	9,115,937	6,677,031	5,479,805	4,900,432	3,562,000	2,211,527
Manufactures of metal, not elsewhere specified	9,940,505	5,254,891	4,481,466	5,172,270	5,412,357	6,433,821
Sec. 7: Machinery and transport equipment	343,024,596	240,080,369	211,274,819	199,871,380	230,803,000	283,325,208
Power generating machinery, other than electric	21,235,669	11,528,782	12,735,725	12,699,103	13,955,000	16,553,549
Agricultural machinery, implements	18,915,124	11,642,472	9,676,734	10,865,937	12,808,000	19,077,945
Office machines	3,345,735	2,438,653	5,644,590	2,221,251	2,105,000	3,687,650
Metalworking machinery	9,048,639	1,932,952	2,779,524	4,589,436	4,161,000	4,184,900
Textile and leather machinery	4,862,706	4,778,692	4,156,519	5,661,021	5,447,000	7,680,631
Machines for special industries	27,148,687	19,461,355	14,469,570	12,604,814	19,356,000	27,041,549
Machinery, appliances (other than electrical), machine parts, not elsewhere specified	74,528,840	56,335,304	45,169,824	48,713,300	60,375,000	69,195,634
Electric power machinery and switchgear	22,256,025	14,535,675	8,157,282	8,634,377	6,712,000	12,040,815
Equipment for distributing electricity	3,892,309	2,345,501	2,393,577	2,170,172	1,212,704	1,386,923
Telecommunications apparatus	9,306,277	7,074,828	9,953,476	8,391,646	8,663,000	13,004,671
Domestic electrical equipment	17,955,015	13,257,906	12,694,921	12,122,877	9,060,000	10,446,319
Other electrical machinery, apparatus	14,156,875	11,426,574	12,854,197	12,549,051	10,873,000	13,546,593
Road motor vehicles	101,119,453	61,325,755	62,925,819	55,158,924	66,575,000	78,675,810
Aircraft	1,890,662	1,762,341	5,453,375	2,067,843	7,140,000	2,969,092
Sec. 8: Miscellaneous manufactured articles	56,059,896	38,977,679	35,730,336	31,516,451	31,171,000	39,875,160
Sanitary, plumbing, heating, lighting fixtures and fittings	6,139,149	3,778,096	2,581,648	2,669,960	2,022,337	3,467,458
Clothing (except fur clothing)	5,187,477	3,226,495	3,665,041	1,957,075	1,571,397	1,584,463
Furniture	3,895,321	3,214,593	1,262,369	1,065,762	1,125,559	1,488,909
Scientific, medical, optical, measuring, controlling instruments, apparatus	8,100,126	5,164,183	5,085,161	4,527,359	5,016,000	6,471,570
Photographic and cinematographic supplies	2,622,296	2,195,121	2,264,303	2,142,275	2,167,000	2,351,251
Musical instruments, sound recorders, reproducers, parts, and accessories	6,651,647	3,282,585	2,692,348	2,469,094	2,415,000	3,160,844
Printed matter	2,966,458	2,633,077	2,340,087	1,957,299	2,051,000	2,599,193
Articles of artificial plastic materials	3,683,276	2,702,189	1,625,382	1,527,672	1,652,295	2,613,199
Perambulators, toys, games, and sporting goods	5,149,760	4,244,534	4,319,100	3,834,958	3,006,594	4,936,312
Office and stationery supplies, n.e.s	3,324,571	2,786,860	2,760,617	2,544,658	2,104,698	2,615,674
Manufactured articles, n.e.s	5,717,399	4,378,969	4,933,157	5,053,726	5,363,193	6,391,246
Sec. 9: Commodities and transactions not classified according to kind	9,013,046	6,748,275	5,926,531	6,424,168	8,920,000	10,801,118
Special shipments	9,013,046	6,748,275	5,926,531	6,424,168	8,920,000	10,801,118

Source: "U.S. Exports Country by Commodity Groupings," U.S. Department of Commerce, Bureau of the Census FT 420, 1964 annual. "A Market for U.S. Products—VeneZuela," a supplement to International Commerce, U.S. Department Commerce publication, June 1964.



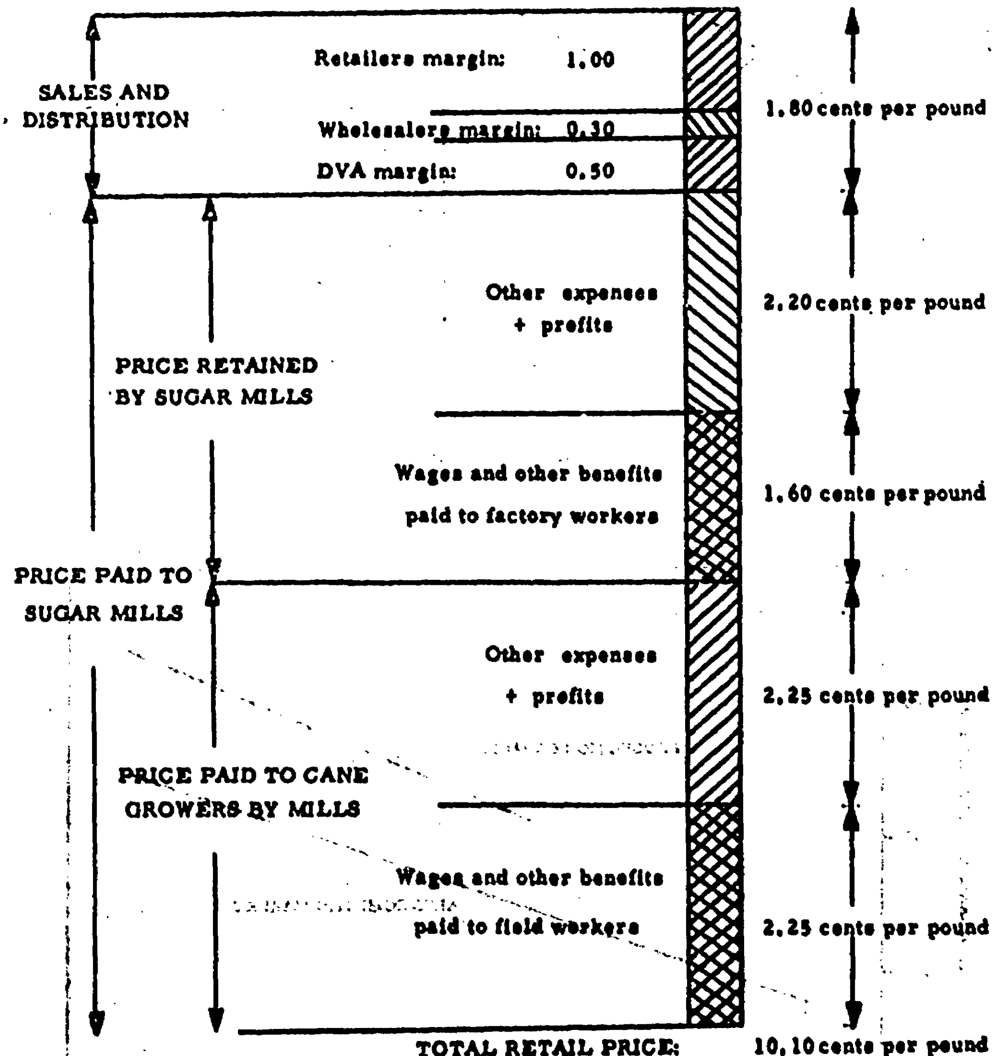
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR DISTRIBUTION SYSTEM

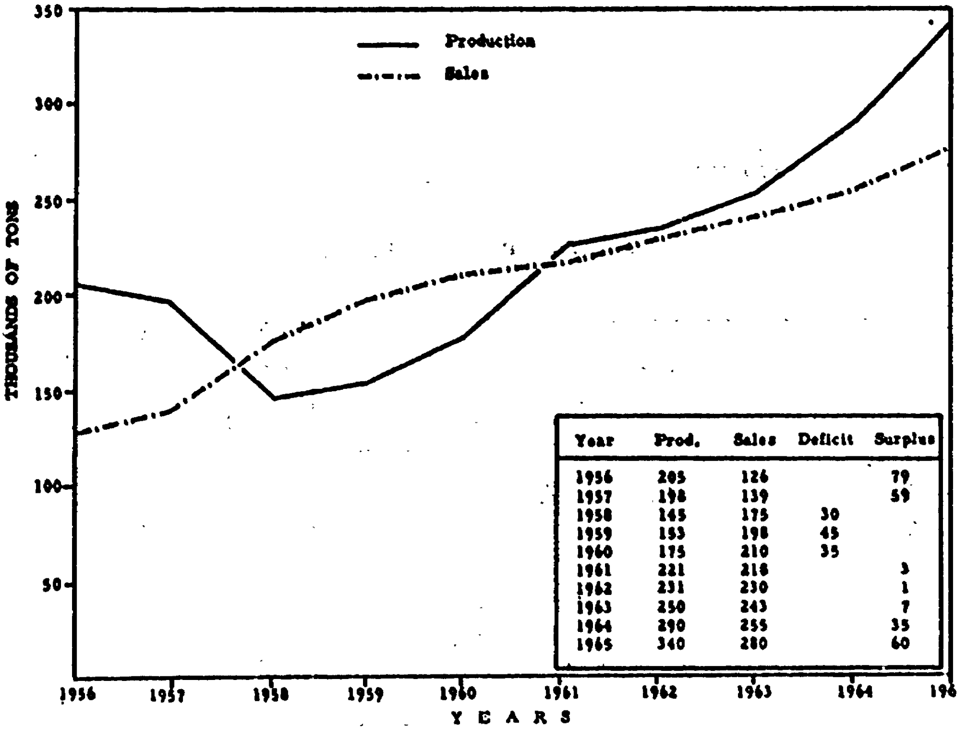


VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

BREAKDOWN OF RETAIL PRICE OF REFINED SUGAR



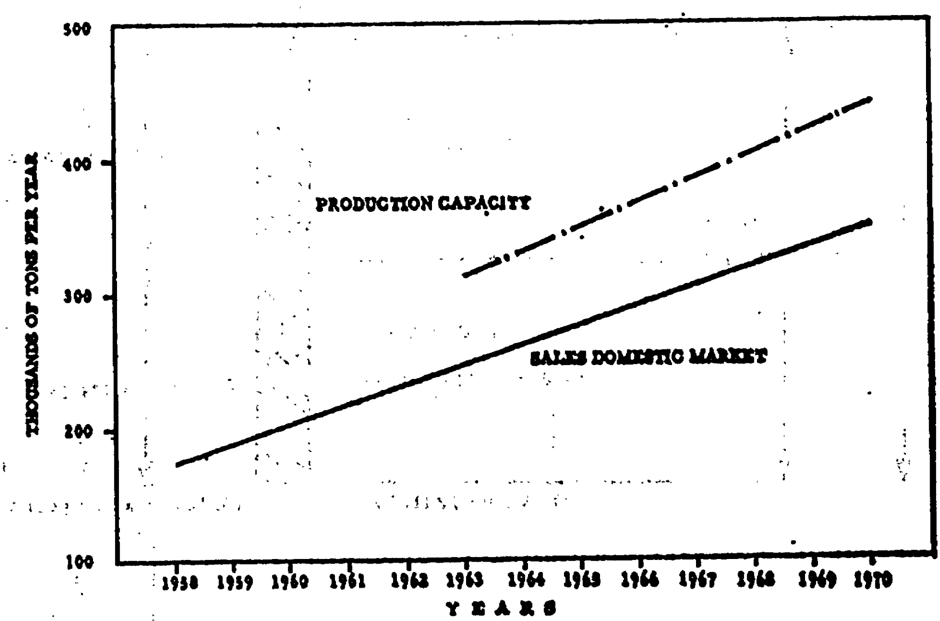
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.
PRODUCTION AND SALES 1956-1965



Year	Prod.	Sales	Deficit	Surplus
1956	205	126		79
1957	198	139		59
1958	145	175	30	
1959	153	198	45	
1960	175	210	35	
1961	221	218		3
1962	231	230		1
1963	250	243		7
1964	290	255		35
1965	340	280		60

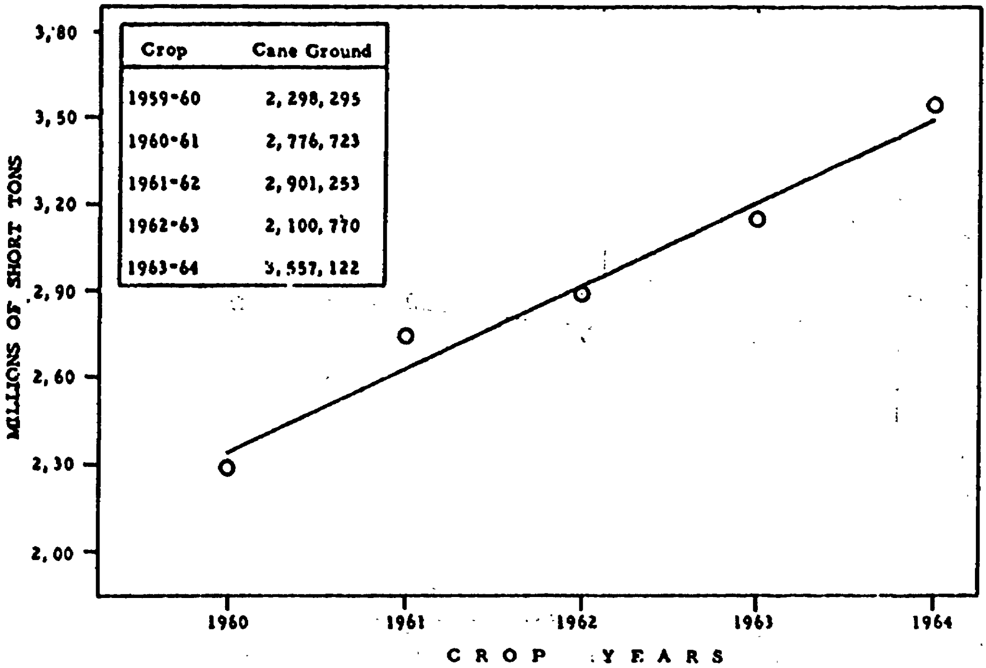
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

PRODUCTION CAPACITY AND DOMESTIC SALES ESTIMATE



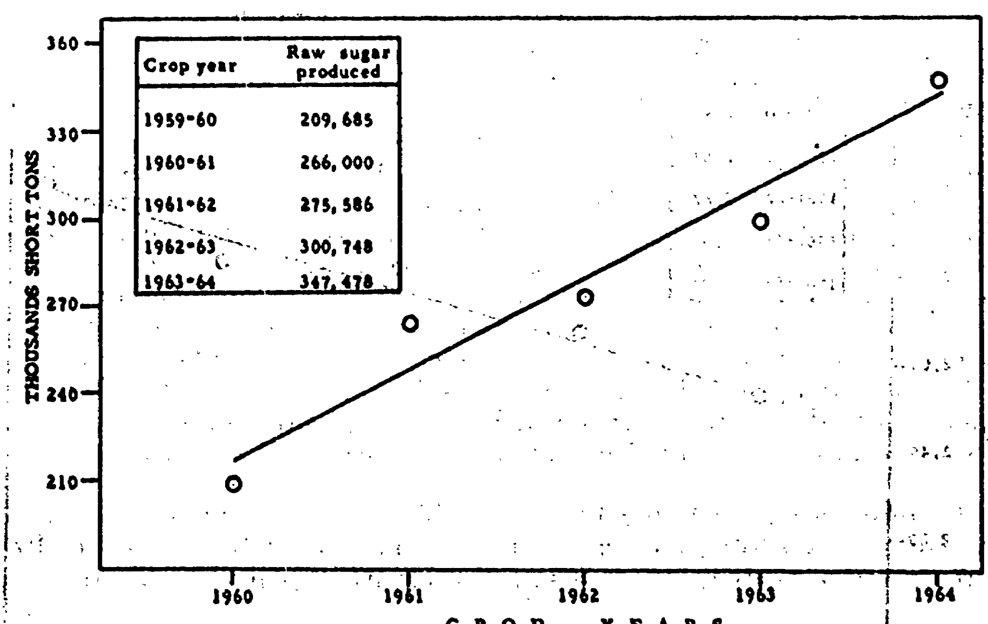
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR CANE HARVESTED



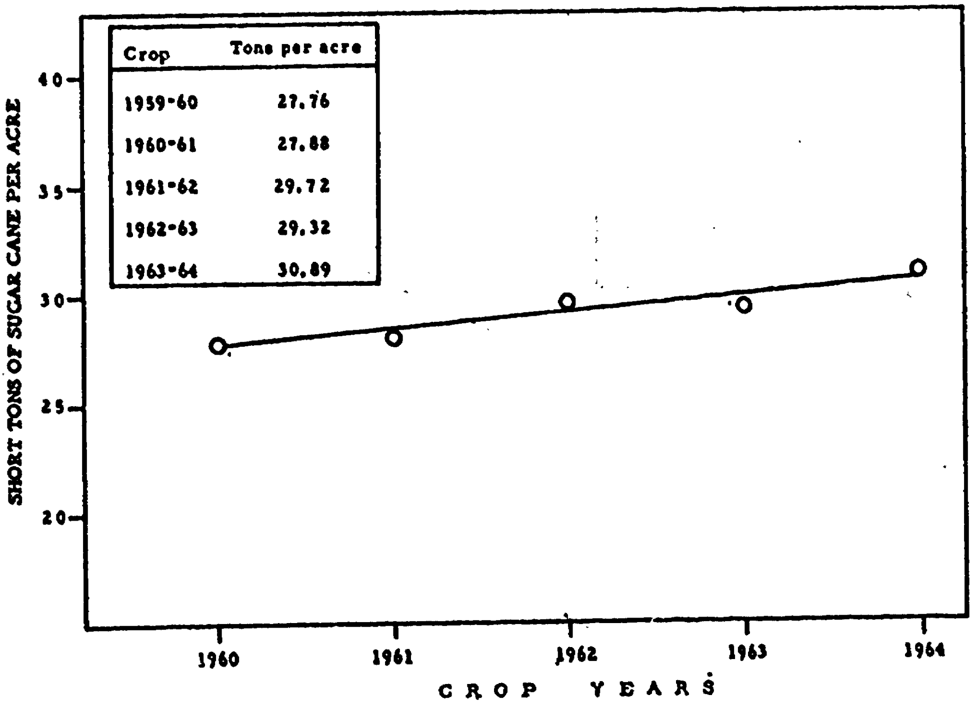
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR PRODUCTION OF VENEZUELA



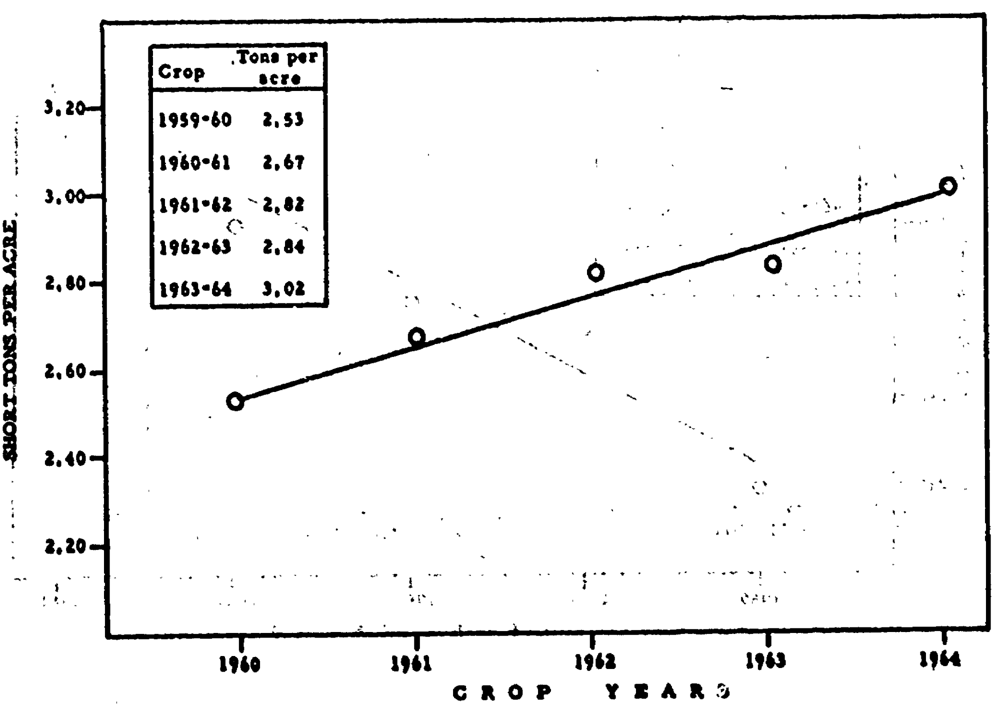
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

YIELDS IN SHORT TONS OF SUGAR CANE PER ACRE



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

YIELDS IN SHORT TONS OF RAW SUGAR PER ACRE



Senator LONG. Thank you very much for your statement, Mr. Clark. Our next witness is Mr. Edward A. McCabe, appearing on behalf of the Association of Sugar Producers in Bolivia.

STATEMENT OF EDWARD A. McCABE, REPRESENTING THE ASSOCIATION OF SUGAR PRODUCERS IN BOLIVIA

Mr. McCABE. My name is Edward A. McCabe, and I am a partner in the law firm of Hamel, Morgan, Park & Saunders, 888 17th Street, NW., Washington, D.C. We appear on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar, the association of sugar producers in Bolivia. We have filed the required registration statements on behalf of our clients with the Congress and with the Department of Justice.

Bolivia requests a quota assignment of 10,000 tons of sugar. This would be a new quota, since Bolivia, a newcomer to the export field, is not now included in the act. She has, however, been included in the bill (H.R. 11135) which passed the House October 12 and is now before your committee. A 0.10 percent quota share would be allocated to Bolivia under the House-passed bill. This amounts to 4,054 tons on a 9.7-million-ton U.S. consumption estimate, and 4,592 tons on a projected 10-million-ton consumption estimate for 1966. In addition to this tonnage, the House Committee on Agriculture in its report (H. Rept. No. 1046, at p. 14) requested that the President allocate an additional 3,000 tons to Bolivia if the political situation there permits such action. This added tonnage requested in the House committee report would come from domestic and Western Hemisphere nations' deficits—after the Philippine share of those deficits had been filled.

The recommendations of the House Agriculture Committee and the whole House have been enthusiastically received and widely hailed in Bolivia. Her sugar industry welcomes the opportunity offered by the recommendations. The tonnage referred to—while quite small by U.S. standards—would have immense economic significance to Bolivia and to all those whose livelihoods are closely related to her sugar industry. Yet, because of Bolivia's ability and readiness to ship even greater quantities of sugar to U.S. markets, we renew to your committee the request we made earlier to the House—for a basic quota assignment of 10,000 tons for Bolivia. In the light of Bolivia's present capacity to export, and for the other reasons to be cited later in this statement, we believe this to be a modest and a reasonable request.

In the current year Bolivia will have an exportable sugar surplus of approximately 25,000 tons. She has the capacity to produce and ship immediately. Not only will she be able to fill the quota asked for here, but she also pledges to the United States any additional sugar she may have in the future for which the United States may have a need.

In this connection it should be pointed out that in 1963 and 1964, when the United States had special sugar needs, Bolivia was not yet in a position to help. In those years she exported no sugar to any nation.

Until 5 or 6 years ago, there was no sizable quantity of sugar produced in Bolivia. Since that time, however, the industry has grown to a point where sugar is Bolivia's most significant agricultural crop and the third largest Bolivian industry. Total annual production is currently running about 93,000 tons.

The sugar industry in Bolivia is at least 75 percent privately owned and operated. While about 25 percent is presently under Government operation, it is the stated policy of the Bolivian Government to move actively toward private ownership and operation at the earliest possible time.

These mills have received considerable U.S. help in recent years through the Development Loan Fund. And we would also call attention to the fact that all the mills have recently instituted impressive fringe benefits for employees and their families. These include housing, schools, recreational facilities, medical clinics, access roads, bridges, and so forth, at areas where these mills are located.

Sugar producing in Bolovia is centered in the Santa Cruz area. The economy of this region is heavily related to sugar, and upward of 50,000 people there are dependent on this industry. It should also be pointed out that in the Santa Cruz area in the past few years the United States (through AID programs) has invested nearly $100 million in a variety of improvements, including major road construction. A principal target of our AID program in Bolivia has been the encouragement of Bolivia's sugar industry.

Approximately two-thirds of Bolivia's population is Indian. For many generations, most of this Indian population has lived in the highlands. Efforts are underway to change this, however, so that this segment of the population can be introduced to more productive occupations. To this end, approximately 5,000 Indian families have been resetttled in the sugar-producing area of Santa Cruz. This resettlement, made with the encouragement of U.S. AID personnel, looks to a thriving sugar industry for its success. And its success is a matter of pressing national significance to Bolivia.

The Santa Cruz region is a vast area which offers great promise for a rich agricultural economy. With a thriving sugar industry the nucleus of further development, the economy of the country as a whole will prosper as the sugar industry grows and prospers in Santa Cruz.

Some U.S. personnel in Bolivia have at times expressed concern that Bolivia, with no seaports, must face the added expense of transporting her sugar a considerable distance to gain access to ocean shipping. This is true. Bolivia is a landlocked nation. All her commodities are produced inland. All must be moved to the sea. And all—coffee, rice, tin, and others as well as sugar—must assume the burden of transport costs which are often greater than those facing the same commodities in other nations, for no Bolivian product enjoys any market monopoly. Yet if Bolivia, as an inland nation, were discouraged by her own geography to the point where she would not welcome the chance to improve her economy—then it would seem that her people had no future at all. Happily, this is not the case. Neither Bolivia nor her sugar industry is dismayed by the transportation problem inherent in her very location. Further, an expanded sugar industry is only a part—though a very significant part—of a 10-year industrial development program. In this connection, we would emphasize also that Bolivia is not standing still in the thought that a share in our sugar market will cure all her economic difficulties. She does, however, view a modest share in our market as a major benefit from which a variety of other benefits will flow. For example, sugar milling byproducts are the raw materials on which other industries depend. These would include in Bolivia small industries such as paper products, yeast, hardboard—industries which can prosper quickly from a readily available raw materials supply, industries particularly suited to the current state of Bolivia's technology and industrial advancement.

It is important in assessing the sugar industry's significance to the people of Bolivia to note that the great bulk of sugarcane production is in the hands of small growers. These number approximately 20,000. They are individual entrepreneurs, each producing sugarcane on his own land. Most of them are family operations, much in the fashion of what the United States has long known as the small family farm. These small growers are presently responsible for about 75 percent of Bolivia's cane production. It is the policy of the Bolivian Government that, as additional small growers produce cane, they will receive the remaining share of the country's sugarcane market. This policy and purpose are underscored by the fact that in Bolivia today no sugar mill may produce for itself more than 10 percent of the cane it processes.

Under the terms of these policies, virtually all Bolivian cane production will soon be in the hands of small individual growers, with no large monopoly type holdings possible. Hence, it would seem clear that in Bolivia's sugar industry the small farmer can advance and prosper by his own initiative and enterprise.

Bolivia is a sizable importer of a great variety of U.S. commodities. Bolivia requires that all state industries (oil, mining, etc.) import their basic commodity requirements from the United States. The United States is thus the source of approximately 80 percent of all Bolivia's imports. In agricultural commodities, Bolivia's current importation from the United States runs at about $15 million annually. A major part of these imports is in cotton, wheat, and flour. And we want to emphasize here that while Bolivia is one of the less populated nations in Latin America, her agricultural imports from the United States exceed those of more than half the other Latin American nations. Further, she imports more U.S. agricultural commodities than do many of her sister Latin American nations who already have been granted sugar quotas.

As the capacity of Bolivia's sugar industry grows, she also faces the pressing necessity of finding markets. To this end—in addition to this request for a modest 10,000-ton quota from the United States—there is now actively underway an intensive promotion campaign to encourage greater use of sugar in Bolivia itself. Characteristically, many in Bolivia have never included sugar in their diets at all. It is expected that aggressive promotion and advertising campaigns will remedy much of this in time. But admittedly the process will be a slow one. Accordingly, in the foreseeable future this industry, upon which so much of Bolivia's economy depends, must look to foreign markets.

As a stanch friend of the United States, Bolivia looks hopefully to us for a small share in our market. Considering her persent exportable sugar surplus, she hopes earnestly that she may be allotted a quota assignment of 10,000 tons. As pointed out above, there exists in Bolivia the capacity to ship this sugar immediately.

We feel that favorable consideration of this request will benefit the U.S. consumer by introducing into the U.S. market a friendly and dependable source of supply. Further, it would seem to be in the interest of the United States to grant this quota. Since so much of Bolivia depends upon sugar, favorable consideration by the United States would quickly become known by all the people. This very knowledge alone should foster a closer relationship between the United States and the people of Bolivia.

In recent international difficulties, Bolivia has stood steadfast with the United States in support of our efforts to secure peace and order in the world. This has been particularly notable in the United Nations, where Bolivia is currently serving as a member of the 11-nation Security Council. It has been notable too in the Organization of American States, and was especially marked during the Dominican crisis earlier this year. On problems involving Cuba she stands firmly with the United States.

In citing these actions by Bolivia, we do not suggest to your committee, nor did we suggest in earlier House testimony, that of themselves they warrant for her any preferential treatment under the Sugar Act. They do not. These actions were taken by Bolivia in her sovereign capacity in the firm belief that they were proper actions in the circumstances; that they were in the best interests of Bolivia, of Western Hemisphere unity and in the interest of a peaceful world. They were not taken, and they are not now cited, in the nature of a plea for special treatment in the form of a sugar quota. Bolivia will continue to take her stand with the United States because she knows that the causes we jointly espouse are in the best interests not alone of our own nations but of all mankind. We believe, however, that a course of national conduct is an important item for congressional assessment in considering legislation of such international significance as the measure now before your committee.

We are convinced that favorable consideration of Bolivia's request will benefit the American sugar consumer. We know that it will benefit the Bolivian sugar industry. In emphasizing the close and sympathetic ties which exist between our two Governments, we feel that it will also contribute to better mutual understanding and a more effective working relationship between the peoples of both countries.

We are grateful for the opportunity to present this request to your committee on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar of Bolivia. We trust that it will be favorably considered, and that your committee and the Congress will approve Bolivia's request for a 10,000-ton quota assignment.

The CHAIRMAN. Thank you Mr. McCabe.

Our next witness is Mr. Arthur L. Quinn, counsel for the Sugar Industries of British West Indies, Ecuador, Panama, and British Honduras.

STATEMENT OF ARTHUR L. QUINN, COUNSEL, SUGAR INDUSTRIES OF BRITISH WEST INDIES, ECUADOR, PANAMA, AND BRITISH HONDURAS

Mr. QUINN. Mr. Chairman and members of the committee my name is Arthur L. Quinn. I am associated in the practice of law with my son, Arthur Lee Quinn, under the firm name of Quinn & Quinn, with offices at 303 Commonwealth Building, 1625 K Street NW., Washington, D.C.

We are Washington counsel for privately owned sugar companies that produce sugar, principally for export, in the British West Indies, including British Guiana and Ecuador, Panama, and British Honduras.

The sugar interests of the British West Indies and British Guiana form the British West Indies Sugar Association and include the producers on the Caribbean islands of Jamaica, Trinidad, Antigua, Barbados, and St. Kitts, and the territory of British Guiana, which is situated in northern South America. In this group, there are two independent nations; namely, Jamaica and Trinidad-Tobago, and there is every indication that from within the group there will be two more independent countries in the next year or two; namely, British Guiana, which will be called Guyana and a Federation of West Indian Islands, which will include St. Kitts, Antigua, and Barbados.

We represent the sugar industry of Ecuador which is composed of two commercial companies; the Valdez Sugar Co. and Sociedad Agricola Industrial.

In Panama, our clients are the two principal companies which are Compania Azucarera La Estrella, S. A. and Azucarera Nacional, S. A.

Our client in British Honduras is the Corozal Sugar Co., Ltd., which is the sole operator in that country.

The sugar industries of the countries and emergent territories where our clients are situated are among the most important in their respective economies. In all of these areas substantial shares of national revenues are derived from the sale of sugar—a basic agricultural commodity produced for sale abroad. The income realized from the sale of this commodity provides wages, salaries, and support for thousands of people and furnishes a large meaningful source of funds which are used to purchase industrialized products, which in turn are so essential to the economic development of these emerging lands.

In all of these countries the sugar industry is a large employer—in the British West Indies it is the largest. In Ecuador and Panama it ranks among the highest in importance in the field of agriculture, and in tiny British Honduras it has become in a brief period of time the single most important industry in that territory.

FOREIGN QUOTAS

The amendments to the Sugar Act, as proposed by the administration, and contained in S. 2567, and elaborated upon by the testimony of Mr. John Schnittker, the Under Secretary of Agriculture, advocate the adoption of a particular formula in calculating the quotas to be allotted to foreign suppliers of sugar. In substance, this formula basically would completely disregard the quota allocations made by the Congress in the 1962 amendments to the act, and substitute instead, quotas based upon total shipments of sugar to this country by foreign nations other than the Philippines during the years 1963 and 1964, with a double weighting being given to the latter year. This same formula was presented to the Committee on Agriculture of the House of Representatives, found to be unsatisfactory and rejected in favor of a distribution of quotas more in keeping with the spirit of the Sugar Act. We find the quota distribution in H.R. 11135 to be satisfactory and urge its adoption by this committee. I am strenuously opposed to the administration's formula for the following reasons:

1. THE 2 YEARS OF 1963 AND 1964 ARE NOT TRULY REPRESENTATIVE YEARS

Nineteen hundred and sixty-three was a very abnormal year in sugar during which the world experienced the threat of severe shortages. Ordinary prices, normal production and marketing patterns were thrown askew. In 1964, foreign countries were deprived by the Department of Agriculture of shipping 500,000 tons of sugar to the United States that they ordinarily would have been entitled to ship. To consider these 2 years alone, and especially to give double weighting to 1964, would be grossly unfair to the majority of Western Hemisphere foreign participants in the U.S. sugar program. To take just these 2 years is not the proper route to a fair formula.

2. THE ADMINISTRATION'S FORMULA WOULD COMPLETELY IGNORE RELATIVE QUOTA POSITIONS ESTABLISHED BY CONGRESS IN THE 1962 AMENDMENTS TO THE SUGAR ACT

A drastic rearrangement of quota positions, as would take place as a result of the adoption of the administration's formula, would harm those countries which need the most help. It is impossible to establish sugar quotas to the satisfaction of all parties. Some will always feel they came out on the short end. But in 1962, this committee in particular and the Congress in general did an admirable job of assigning basic quotas, and I feel that the considerations stressed then continue to be of merit today and should once more be paramount.

One consideration which is apparent from a review of the 1962 quota list, and also from other sections of the act, is that the Western Hemisphere nations were meant to be favored. This was sound thinking. The sugar that was to be allocated to the various countries was formerly Cuban sugar. It was in this hemisphere. Congress in its wisdom kept most of it here by allocating it to nearby friendly countries—where sources of supply were in close proximity to our shores. This should continue to be a rudimentary precept of U.S. sugar policy.

Before I leave this point, please let me quote from a 38-page pamphlet prepared by the staff of the Committee on Agriculture of the House of Representatives, with the assistance of the Sugar Division of the U.S. Department of Agriculture, dated May 14, 1962, page 4, entitled "Basic Purposes of the Sugar Act":

> Basically, the Sugar Act is intended to do three things: (1) make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within continental United States and to do this without consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar. * * * The Sugar Act has given us this security in supplies and at the same time has done so at a minimum cost to the consumer and taxpayer. Retail sugar prices in the United States have been remarkably stable since the enactment of the Sugar Act. Our Sugar Act also has been successful for the most part in attaining its third objective—the sharing of part of our market equitably among nearby friendly nations.

There are three key words in what I have just quoted: (1) nearby; (2) friendly; and (3) equitably.

I would stress that we represent small nations. They are nearby and they are friendly to the United States.

In addition to keeping most of the foreign sugar, exclusive of the Philippine quota, in this hemisphere, the 1962 amendments afforded a number of the smaller underdeveloped countries in this hemisphere an opportunity to participate in a valuable cash market. These are countries that desperately need to trade with the United States. In most instances all they have to trade with are tropical agricultural products. They welcomed the chance to gain permanent positions in our sugar market, and it would be a terrible setback to their economies to have these positions diminished—and many of them would be if the administration's formula is adopted.

The Government's formula would designate that large quantities of sugar be furnished by distant suppliers. This violates a basic purpose of the Sugar Act; that is, the insuring of adequate sources of supply at all times. The past has proven the inadvisability of overextending our lines of supply for commodities. In time of world crisis, such as we are now experiencing, the United States could suddenly find itself lacking sufficient raw sugar for cane refineries on the densely populated east coast because of dependence to such a considerable extent on sugar that takes between 4 and 5 weeks to reach our ports.

3. THE PROPOSED FORMULA WOULD FAVOR LARGE PRODUCING AREAS OVER SMALL ONES

If the administration formula were written into the 1965 amendments it would mean that a few countries, who fortunately had large quantities of sugar for export during 1963 and 1964, and shipped considerable amounts to the United States in those years, would gain quota position on those smaller nations who unfortunately did not have such large amounts to ship in those 2 years.

An equitable approach to quotas: In 1962 Congress enacted amendments to the Sugar Act which basically altered the existing program. These amendments, among other things, gave the domestic areas 4 years of certainty and the foreign areas, other than the Philippines, 2 years of temporary life. The domestic participants had twice as long to plan and market, and the foreigners were left dangling in the middle of a statutory period. With a minimum of 2 years, in most countries, being necessary from planting to first cutting of a crop of cane, foreign suppliers were left not knowing what would be in store for them in the U.S. market in 1965 and 1966. In addition, their plight was compounded by the insertion of a "global quota" provision in the sugar program. The effect this provision had upon the sugar market is still being debated, but the fact remains that within a matter of months after enactment of the 1962 amendments, the New York spot price of sugar rose to $13.20 per hundredweight, the highest price paid since 1920. The violent gyrations of the 1963 sugar market were found to be of sufficient importance to this committee to cause it to hold hearings on sugar prices. These hearings, held on May 29 and June 6, 1963, resulted in no specific report being issued, but I would like to think the sentiments expressed by Senator Curtis at the conclusion of his questioning of Department of Agriculture witnesses, were the sentiments of a majority of this committee. Senator Curtis said:

* * * and never did we have an agricultural program for any commodity that worked with the success that the basic Sugar Act did.

The consumer was well taken care of, supplies were maintained, an adequate price was maintained to producers. The Treasury made a profit on it.

Senator Curtis then stated that, in his opinion, the domestic share of the market was not large enough, but terminated his remarks by saying:

But we had an excellent act that was serving everybody concerned, making a profit for the Treasury, and we made the mistake of rocking the boat.

I agreed with Senator Curtis then and I agree with him now. I sincerely hope this committee, by means of the 1965 amendments, will restore order and balance to the sugar program.

The foreign suppliers can only surmise that the approach to the sugar program of the past administration, much of which unfortunately became law in 1962, was designed to discourage foreign participation in our market. It would appear it was conceived to provide an interim program to tide things over until such time as Cuba reentered our market. If this was the case the program was ill conceived and we hope this will prevail no longer.

Historically, the first sugar legislation was passed in 1934. Until 1961, the only foreign country other than the Philippines which enjoyed a substantial position in the U.S. market was Cuba, and that position was most substantial indeed, in that Cuba contributed approximately one-third of the U.S. consumption requirements.

Extensive participation by other countries was written into law for the first time by virtue of the 1962 amendments to the Sugar Act.

Those portions of the Sugar Act which pertained to foreign countries, other than the Philippines, expired on December 31, 1964. The 1962 amendments fixed quotas for the domestic areas and the Republic of the Philippines to run until December 31, 1966. Therefore, these quotas are still in effect.

The quotas for foreign countries other than the Philippines in effect for this year were improvised by the Department of Agriculture by allocating quotas on the basis of a formula calculated according to total shipments by foreign countries to the United States during calendar years 1963 and 1964, with double weighting being given to the latter year. The formula which is in effect today is also the basis of the formula the administration advocates for permanent adoption by this committee.

Until 1962, with the exception of Cuba, only two other countries in the Western Hemisphere enjoyed a history of substantial participation in the U.S. market. They were Peru and the Dominican Republic. Because of the dominant position enjoyed by Cuba until the severance of diplomatic relations with that country in 1961, shipments by these two countries to the United States were comparatively small, considering the fact these two countries had been in the sugar program since 1934—never more than 100,000 tons for each country in a single year.

The 1962 amendments awarded quotas to 16 Western Hemisphere countries and 7 non-Western Hemisphere nations. Additionally, the amendments to the so-called honey bee bill, enacted after the passage of the 1962 amendments, gave Argentina a quota of 20,000 tons and increased the quota of the Dominican Republic by an additional 130,000 tons. This is the status of quotas today.

The 1962 amendments required that special consideration be given to countries of the Western Hemisphere both in authorizing importation of "global quota" sugar and also in the proration of quota deficits. There are strong considerations why this preference should not only be continued but elaborated upon.

As has been stated before, all the sugar to be allocated among the several foreign nations, except the Philippines, was formerly Cuban sugar, that is, sugar within this hemisphere. Cuba, prior to Castro, was the American sugar bowl, and as such, provided a proximate source of supply which could be dipped into at any time in virtually any amount. In order to replace this handy source, the United States should now provide itself with a set of smaller sugar bowls, of varying sizes, but all within easy reach. It would be a mistake to depend too heavily upon a few large sources, but at the same time the lines of supply should be short. Sugar supplied by the various countries of the Western Hemisphere is the answer.

The United States can obtain sugar from its neighbors in a matter of days as against 4 or 5 weeks actual sailing time for sugar coming from the far reaches of the globe. The dreadful experience of World War II demonstrated the advantages of having sugar supplies close to our shores.

Our good neighbors to the south want to trade with us; not be the constant recipients of our aid. They have so few products with which to trade, that tropical farm products, and particularly sugar, in many instances, forms the lifeblood of their economies. The less developed nations within our hemisphere, which we are striving so earnestly to assist in their development, must depend principally on agriculture and commodities raised for export in order to allow them to exist and to give them the dollars to purchase the hard manufactured goods, exported from this country, so essential to their development. I wish to again stress that one of the three basic purposes of the Sugar Act is to promote international trade. This committee, in keeping with this avowed purpose of the sugar program, has within its power the means of accomplishing a tremendous amount of good for our neighbors in this hemisphere particularly the smaller, struggling nations, by means of equitably distributing sugar quotas among them.

In my testimony before the Committee on Agriculture of the House of Representatives on August 20 of this year I urged the committee to consider the following points in its allocation of foreign country quotas:

(1) Nations be permitted to retain the basic quotas awarded them by Congress in 1962.

(2) As enunciated in the 1962 amendments, preference be given to nearby Western Hemisphere areas.

(3) The temporary allocation to the Dominican Republic made by virtue of the amendments of the honey bee bill of 1962, be redistributed among all Western Hemisphere areas, including, of course, the Dominican Republic.

(4 If a time period is to be used in calculating the allocation of any quantities of sugar, then, the period 1961–64, inclusive, should be used, it being the only true and fair representative period of country-by-country performance.

In addition I made the following recommendations with respect to other provisions of the proposed amendments:

The so-called Cuban reserve should be phased out over a period of years and incorporated in the basic quotas of the Western Hemisphere areas, and in no event should the period of years be longer than 10 years.

Quota deficits should be restricted for reallocation to Western Hemisphere areas.

Growth participation should be restricted to Western Hemisphere areas for the period of the act.

The committee report on H.R. 11135 states on pages 7 and 8:

H.R. 11135 ADOPTS 1962 ACT PRINCIPLES

The committee has used the distribution of quotas among foreign countries established in the 1962 act as the basis of the quotas for the duration of this bill. It has embraced the same considerations it followed in 1962; namely, (1) ability of the supplying country to provide sugar at the time needed for the consumers of the United States; (2) the development of foreign trade; and (3) the friendly relations of the countries involved.

In general, the committee has tried to keep as much of our foreign sugar quota in the Western Hemisphere as possible. There are two reasons for this. First, sugar shipped from the Western Hemisphere is far more accessible and available to the United States on short notice than is sugar coming from great distances; second, the countries of the Western Hemisphere are virtually all developing countries, they need the assistance of the United States in expanding their economies and their ability to purchase from the United States, and they represent, in the long run, the greatest possible market for U.S. commodities.

As I said previously in this statement it is impossible to establish sugar quotas to the satisfaction of all parties, but I believe that everything considered the Committee on Agriculture of the House on the whole worked out an equitable distribution of foreign quotas and I hope this committee will retain those quota provisions of H.R. 11135.

Mr. Chairman and members of this committee, we represent four areas. In this general statement I would like to summarize the cases presented by each of these areas and accompany this statement with a detailed presentation on behalf of each area.

All of these areas, the British West Indies, Ecuador, Panama, and British Honduras are friendly nearby Western Hemisphere nations in close proximity to the United States. They all have ample supplies of sugar available for export to the United States. Each was accorded a basic quota position in the U.S. market as a result of the 1962 amendments, for which they are extremely grateful. It is their earnest desire to not only retain their positions but significantly increase them. In keeping with this desire they are willing to hold in reserve, exclusively for the United States, up to 50 percent of quotas awarded them.

BRITISH WEST INDIES SUGAR ASSOCIATION

The strategic importance of this group of West Indian islands and British Guiana to the United States must be emphasized. An agreement between the United States and the British Government during World War II permitted the United States to establish military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961 the "Bases Agreement," as it is referred to, was renegotiated by the United States with the individual territories, for a 17-year period until 1978. These areas are ont only friendly but their strategic value persists.

The British West Indies formerly consisted of a group of British colonial islands and British Guiana. As I pointed out at the beginning of this statement it now includes two independent nations—Jamaica, and Trinidad-Tobago, and will soon probably include two more—British Guiana, which will be called Guyana, and a Federation of West Indian Islands.

The British West Indies was accorded a basic quota position in 1962 of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows: 1961—265,845 short tons, 1962—181,661 short tons, 1963—141,356 short tons, 1964—142,228 short tons, 1965—140,935 (authorized).

The above figures indicate average shipments during the period 1961 through 1964 to be 182,772 tons. This is indeed a creditable performancce record and we hope the British West Indies will be given the opportunity to improve upon it. The members of the British West Indies Sugar Association are willing to supply the United States as much as 300,000 tons a year. Trade with this nearby area continues to be brisk and it remains a significant outlet for American products. In 1964 alone over $160 million worth of U.S. goods were sold to this group.

In the West Indies sugar is the most important agricultural commodity produced and the industry is by far the largest single employer. Continued sales of sugar to the United States are of vital importance to the sustained growth of the economies of these areas.

ECUADOR

The Ecuadorian sugar industry is an example of the success of private enterprise in its responsible performance of its obligations to its own domestic market and the national economy as a whole. The gradual expansion of the industry has been of great benefit to the Nation's general economic growth and it has contributed substantially to improving the Nation's standard of living. Sugar has been elevated from the status of an imported commodity to the fourth highest export.

There are approximately 17,000 workers in the Ecuadorian sugar industry, and they are among the best treated sugar workers in Latin America. These workers with their families represent approximately 70,000 people who are dependent upon the industry for their livelihood. Ecuadorian shipments of sugar to the United States have been since 1961 as follows: 1961, 31,010; 1962, 66,861; 1963, 57,977; 1964, 58,106; 1965, 57,114 (authorized).

Ecuador continues to become an increasingly important outlet for U.S. exports. In 1964 the total value of our exports to that country climbed from the 1963 figure of $56 million to more than $83 million.

In 1962 Ecuador was awarded a basic quota of 25,000 tons but it can be seen from the above that she has averaged shipments to the United States of 53,488 tons, 1961–64 inclusive. It stands ready and able to supply the United States with amounts in excess of 90,000 tons per year. We hope the committee will look with favor upon the exemplary performance and proven dependability of Ecuador and award her a fair and equitable quota.

PANAMA

Panama, the crossroad of world trade, is of tremendous strategic importance to the United States. Time and again the vital importance of the Panama Canal to the United States has been proven.

In the past, the economy of the nation of Panama has been closely linked to that of the Panama Canal Zone. The result has been neglect to important sectors of the economy, causing a huge trade gap to come about. The biggest beneficiary of the Panamanian necessity for importation has been the United States; 1964 figures alone show imports of U.S. goods totaling approximately $110 million while exports to the United States amounted to only $40 million.

Because of our vital concern with the canal we must simultaneously be vitally concerned with the economic well being of the country of Panama. The effect of the new treaty with Panama, whereby the United States will give control of the Canal Zone to Panama will do much to stimulate growth. In addition the United States has for some time been making concerted efforts to assist the country in achieving a viable economy by developing basic industries that will assist the nation in its attempt to close the trade gap. The largest industry in Panama is agriculture and substantial progress is being made in increasing production of tropical products for export. Of foremost importance is sugar. A real stimulant to the national economy could be provided by dollars received from additional sales of sugar to the United States. The sugar industry is prepared to ship in excess of 80,000 tons of sugar each year to the United States. We earnestly feel that Panama because of its unique position in this hemisphere, should be assisted in every possible way economically.

We urge the committee to consider the very special situation in Panama and increase her basic quota to an amount equal to that of her neighbors in Central America.

BRITISH HONDURAS

British Honduras is a tiny corner of Central America—a dependent territory of Great Britain which is advancing toward independence. This poor, underpopulated country, as it hangs suspended in the limbo of semi-independence, is unable to obtain direct financial and economic assistance in the manner of a sovereign nation. She cannot participate in our AID program nor deal directly with multinational financial institutions. Therefore, if she is to achieve a viable economy the only significant means is by the infusion of private capital into her economy. British Honduras perpetually suffers from a trade deficit and, as in the case of Panama, the biggest beneficiary of this is the United States, which usually enjoys a better than 2-to-1 advantage.

However, in the recent past, this land, with its great, untapped potential for agricultural development, has seen large-scale commitment of private funds in only one industry—sugar. In 1963 the Corozal Sugar Co., Ltd., purchased the one existing sugar mill and committed itself to expend over $20 million in improvements of existing facilities, purchase and planting of large quantities of land and construction of a large new factory. The impact of this expansion of the sugar industry upon the national economy of British Honduras has been astounding.

Sugar will become the largest industry in the country within a brief time. Hundreds of farmers are being given the opportunity to plant sugarcane, hundreds of men will find badly needed employment as facilities are constructed and production increases, and, most importantly, if the Corozal Sugar Co. is a success, other capital will undoubtedly be attracted to the country.

The importance of the sugar industry in British Honduras cannot be overemphasized. In order to be a successful industry it must be able to sell its product, and it now implores this committee to permit it to gain an increased share of the U.S. market. In 1962 British Honduras was awarded a basic quota of 10,000 tons. It would like the opportunity to supply more.

A proportional increase in British Honduras quota would be minute in comparison to the total amount of sugar this committee is being called upon to allocate among the various foreign nations. But, as in the case of Panama, a little could do an enormous amount of good for one of our very small and struggling neighbors.

We hope this committee will favor this groping little country by awarding it an equitable share of our sugar market.

CONCLUSION

For 28 years, the U.S. sugar program was so successful that it was worthy of the highest praise attributable to a regulated agricultural program—the public never knew it existed. But in 1962 a model law was harmfully altered. I fervently hope that this committee will return to the wise and realistic approach it consistently espoused prior to 1962, so that an effective and equitable program will once more become the law of the land.

(The four supplemental statements filed by Mr. Quinn follow:)

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF BRITISH WEST INDIES SUPPLEMENTING THE STATEMENT OF ARTHUR L. QUINN, SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, IN HEARINGS ON AMENDMENTS TO THE SUGAR ACT OF 1948

The British West Indies Sugar Association represents the sugar industries of Antigua, Barbados, British Guiana, Jamaica, St. Kitts, and Trinidad-Tobago. Jamaica is formerly a British colony which attained its complete independence St. Kitts are British colonial islands in the Leeward and Windward chains in the Caribbean, and British Guiana is a British dependency on the north coast of South America. I would like to briefly acquaint the committee with each of these entities.

JAMAICA

Jamaica is formerly a British colony which attained its complete independence on August 6, 1962. It is now a member of the British Commonwealth of Nations. It is a member state of the United Nations Organization and various other world bodies and will most probably soon become a member of the Organization of American States. Jamaica was discovered by Columbus in May 1494 and was originally occupied by the Spanish. The English captured the island in 1655 and colonization proceeded slowly. Sugar soon became the staple crop of the economy.

Jamaica is situated in the Caribbean Sea south of the eastern extremity of Cuba. It is 146 miles long and between 51 and 22 miles wide, and 4,411 square miles in area. Topographically it separates into the coastal plains around the island divided by the Blue Mountain Range in the east, and the hills and plateau of limestone which occupy the central and western areas of the interior. The island has a tropical climate which is modified and made equable by the presence of the sea, warm trade winds, and regular land and sea breezes. It has a conglomerate population of approximately 1,750,000 people which lives in congeniality.

Although industry has rapidly developed and now actually contributes more to the gross domestic product than does agriculture, the latter is likely to remain the basis of the island's economy for many years as it offers the greatest potential to offset the unfavorable balance of trade. The extraction of bauxite ore is the largest item of export and contributes more to the national economy than does any other industry. Agriculture continues to employ more individuals than does any other phase of the economy and the principal products raised are sugar, bananas, citrus, cocoa, coconuts, coffee, and various other tropical products and vegetables. The sugar industry is the largest employer on the island. Sugarcane is grown on both small farms and estates, and production on farms is greater than that on the larger estates. This is the island's most important crop from the point of view of revenue and employment and after bauxite and alumina, is the most valuable export commodity. There are 18 factories and 1 refinery handling the island's production of cane. The refinery byproducts, rum and molasses, also play an important part in the economy of the island, figuring in the export lists and earning a fair amount of currency. Molasses is also being used to an increasing extent by the local livestock industry. The principal sugar markets are the United Kingdom, the United States, and Canada.

TRINIDAD-TOBAGO

Trinidad-Tobago is also a former British colony and became a member of the Commonwealth of Nations following the attainment of its independence on August 31, 1962. It is a member of the United Nations and is represented on its principal agencies. Like Jamaica, Trinidad was discovered in 1498 by Christopher Columbus, who took possession of the island on behalf of the crown of Spain. The British took possession of the island in 1797. The island of Tobago, which lies 21 miles northeast of Trinidad, changed hands several times before coming under the British Crown in 1814. Since 1888 it has been linked with Trinidad and now the two islands form a single nation.

Trinidad is the most southerly of the West Indian Islands. It lies immediately above Venezuela in the Caribbean Sea. Tobago lies to the northeast of Trinidad. The land area of Trinidad is 1,864 square miles. Tobago is 116 square miles, giving a combined total of 1,980 square miles. The average length of Trinidad is 50 miles, width 37 miles; comparative figures for Tobago are 26 and 7½ miles. The population is approximately 900,000 people.

Trinidad is rectangular in shape with a horn or peninsula projecting from each corner, those at the northwest and southwest extending toward the mainland of South America. Three mountain ranges traverse the island east to west. Its west coast is lowland, rising gradually toward the interior with fertile hills, plains, and valleys.

Tobago is mountainous in the center and northeast and undulating and flat in the south and west. The highest peak is 2,100 feet. Deep fertile valleys run down from either side of the main ridge. The tropical heat in Trinidad is tempered by prevailing winds and certain geographical factors. Both islands are practically free of storms and are at their best in the late North American winter and early spring. At that season they are regarded as health resorts and yearly are becoming more and more popular with visitors from cooler countries.

The largest dollar earner for Trinidad is petroleum. Chief agricultural commodities are sugar, cocoa, coconuts, coffee, root crops, and livestock. Sugar is one of the island's most important crops and is grown on the west coast. It has always played a major part in the economy. Cultivation covers some 95,000 acres of which 53,000 are on estates owned and operated by the sugar companies, the remainder on some 12,000 small farms. The territory's mineral wealth lies chiefly in its petroleum deposits and its natural asphalt lake. No sugarcane is grown in Tobago.

BARBADOS

Barbados is the most easterly of the West Indian Islands and has been a British colony since its discovery in the early part of the 17th century. It is a green tropical island with a varied and attractive coastline, hidden caves and sandy beaches, backed by vivid green sugar plantations and soft undulating hills.

It lies some 300 miles north of the coast of South America. It is a fairly small island somewhat pear shaped and only 21 miles long by 14 miles at its widest point near the south, with a total land area of 166 square miles. Its highest point is 1,105 feet near the center of the island. Lying well out in the Atlantic it enjoys one of the healthiest and most invigorating climates in the West Indies. It has a varied population of approximately 250,000 people, including Negroes, whites, and mixed peoples.

The government is that of a British Crown Colony. Internal self-government was achieved in 1961 and it is projected that Barbados will be the capital of a new nation consisting of a group of West Indian Islands.

The island has a total land area of 106,240 acres with some 68,500 acres of arable land. The land is for the most part intensively cultivated and sugarcane accounts for some 60,000 acres alone. On the sugarcane lands, however, some 15 percent or about 9,000 acres, produce food crops as a rotation. Sugarcane, which now provides both the basis for the economy and the main source of employment, has been cultivated since about 1640. This highly intensive crop provides more work per acre than any other, can be economically grown and maintains soil fertility. Roughly a quarter of the production is in small landholdings and the remainder on large estates. The small landholdings are about 30,000 in number, with an average size of a third of an acre each and are cultivated by part-time farmers who sometimes work as laborers on the estates or in the sugar factories for a part of the year. The estates, which compromise some 240 plantations of over 10 acres each, are mainly under private ownership of families who settled in Barbados in the 17th and 18th centuries. Other crops are cotton, vegetables, fruits, and livestock.

BRITISH GUIANA

British Guiana, the largest member in land area of the British West Indies Sugar Association, is situated on the northern coast of South America, lying between Venezuela on the west and Dutch Guiana (Surinam) to the east. It is a British colony with full internal self-government and stands on the threshold of independence. It is the only British colony in South America. It will emerge as a nation under the name of "Guyana." The country was first discovered by the Spanish and finally became a British possession in 1831. It is a green, subtropical country nearly as large as Great Britain, roughly rectangular in shape penetrating some 400 miles southward to Brazil from the Atlantic seaboard. The coastline extends eastward for 270 miles from the Venezuelan border.

The country's land mass is over 83,000 square miles, but the majority of its approximately 630,000 people live and work on only 4 percent of its surface. The population is racially heterogeneous and the country is popularly known as the Land of Six Peoples, with the principal races being Negro, East Indian, Portuguese, Chinese, and European, as well as the remnants of Amerindian tribes which live mainly in the forests and savannahs.

The economy is narrowly based so that it is dependent to a very great extent on only a few products such as sugar, bauxite, and the cultivation of rice.

It is usual to regard the country as having three geographical zones which may be designated as the coastal strip, the middle belt, and the highland region. Each has distinctive characteristics. The coastal zone is a densely populated and intensively cultivated ribbon of land running along most of the coastline and for a short distance along the banks of the principal rivers. Cultivation rarely extends beyond 10 miles inland. South of the Coastal Plain the land rises to a gently undulating area of scrub plain and forest. This is an area which is currently undergoing considerable mineral exploitation, particularly, bauxite, gold, diamonds, and manganese. The highland region is a region of high mountains beyond which lies a great area of savannah.

In terms of value of production, number of wage earners employed, and of general influence sugar is the most important industry in the country. Traditionally it is the industry upon which the country has always depended. The bulk of the cane is grown on plantations owned by two large companies, which also operate the processing factories, but there are a number of small farmers. Sugar and sugar preparations account for approximately 40 percent of the country's exports.

ANTIGUA

Antigua is located in the Leeward Island Chain and for ministerial purposes has dependencies of the islands of Barbuda and Redonda. The three together are considered a single British colony. Antigua, as is true of many of the other areas of the West Indies, was discovered by Christopher Columbus in 1493. It came into British hands in 1632.

These are small islands, all three having a total land area of only 170 square miles. Antigua is a most pleasant island with deeply indented shores lined by reefs and shoals with many natural harbors. The extreme heat and humidity normally encountered in tropical regions are tempered by the almost continual sea breezes and limited rainfall making "dry and sunny," perhaps the best overall description of the island's climate.

Basically, the population of approximately 65,000 is of African descent. The economy is based primarily in two agricultural crops, sugar and cotton. Sugarcane is grown on some 12,000 acres at present. Harvesting is very much dependent on rainfall and availability of labor (some of the required force must be brought from nearby islands). The island has one sugar factory.

ST. KITTS

The island of St. Christopher in the Leeward Chain (more commonly known as St. Kitts) was discovered and so named by Christopher Columbus in 1493. With the adjacent islands of Nevis and Anguilla it constitutes a single British colony bearing the name of all three islands.

It was the first of the British West Indian Islands to be settled and became a British possession in 1783.

St. Kitts has a total area of 65 square miles. Its central area is mountainous and forest clad. The lower slopes of the mountains are cultivated almost entirely in sugarcane. Although the climate is hot it is a remarkably healthy one with extremes tempered by ocean winds. The population is approximately 50,000 people.

The principal industry of St. Kitts is the raising of sugarcane, which is grown on approximately 15,000 acres.

THE BRITISH WEST INDIES SUGAR ASSOCIATION

The areas whose sugar industries comprise the British West Indies Sugar Association, extend in an arc of islands from Jamaica in the north down to Trinidad in the south and on to the territory of British Guiana on the continent of South America. It can thus be seen that the British West Indies and British Guiana comprise a strategic chain of friendly territories in the Caribbean, an area that becomes more vital to the United States every day. Recognizing this importance the United States recently renegotiated the "bases agreement" made between the British and United States Governments during World War II to provide military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961 the United States dealt directly with the respective territories and the agreement was extended for a 17-year period.

All six of these countries enjoy a fully democratic form of government, with universal adult suffrage and governments wholly elected by the people in free elections. Government policy is in the hands of "cabinets," formed from the elected members of the majority political party in power in the respective parliaments.

As has been noted, Jamaica and Trinidad-Tobago are independent nations. It is anticipated that the other countries also will shortly become fully independent either as individual units, as in the case of British Guiana, or in combination, in the case of Antigua, Barbados, and St. Kitts.

All of these areas have much in common and much to be proud of by way of achievement and progress. They all have multiracial societies which have enviable records in the field of race relations. They have been repeatedly congratulated by world leaders on the harmonious blending of several races into a single people.

Industrial relations are especially advanced in comparison to other developing countries. Labor is highly organized and the trade union system has been functioning for two decades. The normal processes of wage agreements, conciliation, arbitration, and the like are a familiar pattern. The trade unions of the area are federated in the Caribbean Congress of Labor and are fully informed of developments and conditions throughout the area and the world in general. The West Indies can uniquely claim to have reached the stage of full consultation and negotiation in industrial relations along the lines of the modern patterns of the free world.

The sugar industry of the West Indies is proud of the fact that labor shares virtually automatically in any increased revenues that accrue to that industry. In all the territories of the area a levy is imposed on sugar for the welfare of the workers in the industry, including provision for housing schemes, pensions, medical services, community centers, and playing fields. These expenditures cost millions of dollars annually.

In the West Indies agriculture is the major employer and sugar provides the firm structure on which diversified economies can be built. No less than 18 percent of the labor force in these territories is directly employed in the sugar industry.

In some developing areas of the world, particularly Latin America, a criticism that is often heard is that the more prosperous elements of society make no effort to aid the poorer classes. The tax systems ring with inequity. This certainly cannot be said of the West Indies where taxation on personal and company incomes is levied at high rates and taxes are collected. As far as the sugar industry is concerned a direct levy on export sugar is made in all territories—for stabilization of the industry, rehabilitation and improvements in field and factory, and, most importantly, for the welfare of workers. The sugar industry also makes a considerable contribution to local treasuries through excise duties.

IMPORTANCE OF THE SUGAR INDUSTRY

It can already be seen that the sugar industry is of vital importance to the areas of the British West Indies but let us now be more specific as to just how major a role the industry really plays in their economics. It may be accurately stated that sugar has been the economic mainstay for centuries. In some of the territories it represents virtually the whole source of revenue and production capacity, while in others it is a considerable part of the national income. The sugar industry provides the means of livelihood and sustenance for about one-quarter of the total population of the area, and the reasons for this dependence upon sugar are sound. Unlike Cuba, Mexico, Brazil, etc., the area of cultivatable land is scarce relative to population. The West Indies must grow sugar because it is the only crop that can be so profitably grown in small tropical areas.

In terms of employment the following chart vividly portrays the part sugar has in providing work in the West Indies:

	Directly employed by sugar companies (1)	Employed by cane farmers (excluding self-employed) (2)	Total (3)	Estimated total labor force (4)	Percentage (3) of (4) (5)
Antigua	2,500	1,200	3,700	25,000	14.8
Barbados	21,000		21,000	109,000	19.3
British Guiana	19,000		19,000	232,000	8.2
Jamica	28,500	50,000	78,000	650,000	12.1
St. Kitts	6,000		6,000	10,000	60.0
Trinidad	19,000	33,000	52,000	278,000	18.7
Total	96,000	84,200	180,200	1,304,000	13.8

Current annual wages as paid by sugar companies, estates and factories are as follows:

	U.S. dollars per annum
Antigua	1,144,200
Barbados	15,300,000
Br. Guiana	16,563,857
Jamaica	14,803,886
St. Kitts	2,414,864
Trinidad	12,750,798
Total	62,977,605

(In the case of Jamaica, the figure is for nonstaff workers only.)

As a further note on wages it should be emphasized that the great majority of sugar workers are paid at higher rates than the minimum required by law. Bonus payments are made to sugar workers in all territories. Sales of sugar to the United States in the past few years, and the increased price of world market sugar, improved the revenues of sugar companies. These additional revenues were divided between the workers and employers, by agreement with the trade unions, and paid out as additional bonuses. It can be seen therefore, that everyone benefits from sales to the United States—down to the lowest paid employee.

The value of sugar and sugar products in relation to national income and total exports is indicated by these two charts:

National income

	Total value of sugar, rum and molasses produced (U.S. dollars per annum) (1)	Total gross domestic (2)	Percentage (1) of (2) (3)	Per capita national income (U.S. dollars) (4)
Antigua	3,424,200	13,500,000	24	225
Barbados	31,380,000	76,560,000	41	324
Br. Guiana	42,600,000	160,000,000	28	205
Jamaica	55,056,462	707,000,000	8	384
St. Kitts	5,459,795	13,693,380	40	169
Trinidad	37,819,800	597,600,000	6	510
Total	175,740,257	1,568,353,380	11	

Exports

	Total value of exports of sugar, rum, and molasses (1)	Total value of all visible exports (2)	Percentage (1) of (2) (3)
Antigua	3,270,000	3,540,000	92
Barbados	29,616,000	42,000,000	71
British Guiana	40,800,000	[1] 94,800,000	43
Jamaica	46,046,972	[2] 248,360,000	19
St. Kitts	4,620,000	4,800,000	96
Trinidad	28,229,654	[3] 356,360,000	8
Total	152,582,626	749,860,086	20

[1] Includes bauxite to the value of US$17,700,000.
[2] Includes bauxite and alumina to the value of US$79,606,000.
[3] Include petroleum products to the value of US$175,560,000.

It is essential to stress the importance of the sugar industry to the small farmer, as opposed to the large companies that operate large estates, for the well-being of these farmers is vital to the stability of their countries. These are the people who supply vast quantities of cane to the factories for processing. This table below shows the number of independent cane farmers by territory and the annual payments made for cane supplied to factories.

	Number of cane farmers and small holders	Payment for cane (In U.S. dollars)
Antigua	3,000	2,106,600
Barbados	16,000	21,000,000
Br. Guiana	2,464	167,118
Jamaica	24,148	22,956,839
St. Kitts		3,285,271
Trinidad	11,000	4,946,917
Total	56,612	55,562,745

Production of sugar in the West Indies is currently over 1,350,000 long tons. It has increased considerably in recent years. The British West Indies Sugar Association ships approximately 900,000 long tons to Great Britain and Canada each year. With total local consumption of approximately 140,000 long tons the West Indies and British Guiana can make available at least 300,000 long tons to the United States market.

In 1962 the British West Indies was accorded a basic quota position of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows:

	Short tons		Short tons
1961	265,845	1964	142,228
1962	181,661	1965	[1] 140,935
1963	141,356		

[1] Authorized thus far.

These figures indicate average shipments during the period 1961 through 1964 to be 182,772 short tons. This is indeed a creditable performance record and it is our hope that the British West Indies will be given the opportunity to improve upon it.

The member countries of the British West Indies Sugar Association are still very much in the underdeveloped category. Definite efforts are being made to diversify their economies but for quite some time in the future they will have to rely greatly upon the production or extraction of basic commodities. It does these countries no good to produce unless they can sell their products abroad in stable markets for adequate prices.

We have attempted to emphasize just how important sugar is to the British West Indies. It is a basic commodity of paramount importance to these countries. We hope this committee will continue to favor these areas by making available to them an ever-expanding market for their sugar, and permitting them to continue to prove they are a dependable proximate source of supply.

Appending Statement of Quinn & Quinn on Behalf of the Sugar Industry of Ecuador, Supplementing the Statement of Arthur L. Quinn Submitted to the Committee on Finance, U.S. Senate, in Hearings on Amendments to the Sugar Act of 1948

Ecuador is the second smallest of the South American republics. It is the most densely populated country on the continent (4,500,000). It lies on the west coast of South America and, as its name implies, is crossed by the equator. By far the greatest part of its territory, including Quito, the capital, stretches south from the equatorial line. It has an approximate land area of 111,168 square miles, that is, about the area occupied by Italy. To the north, the country is bordered by Colombia, to the east and south by Peru, to the west by the Pacific Ocean.

There are four clearly defined geographical regions: the coast; the Andean Mountains and Valleys; the eastern slopes and jungle stretching toward the interior of the continent; and the Gallapagos Islands, in the Pacific Ocean. The coastal area known as La Costa, which covers a little over a quarter of the country's surface, provides nearly all of the country's export products (95 percent), both agricultural and mineral. These are principally, bananas, cocoa, rice, coffee, sugar, toquilla palm, which is used in hand woven strawhats, and petroleum; 95 percent of the country's exports are of agricultural origin.

The Ecuadoran sugar industry is an example of the success of private enterprise in the responsible performance of its obligations to its own domestic market and a national economy as a whole. During the first half of this century, Ecuador, with its low standard of living and low production level, in a routine traditional way, had been satisfying the nation's sugar needs. However, in the wake of the world economic crisis of 1929–33, aggravated in Ecuador by the collapse of cocoa exportation, on whose monoculture the economy had previously depended, great deficits in sugar requirements emerged, as a result of which, the country had to import sugar for many years, a fact which worsened the general economic situation.

At the end of the Second World War, like the rest of the countries in Latin America, Ecuador entered into a period of recuperation and economic development. But it was not until the beginning of 1950 that the sugar industry began to advance with rapid strides. During the decade of 1950–59, the administrators of the sugar industry concentrated their efforts on the obstacles that had been impeding its development and managed to overcome them by reequipping the sugar mills and completely renovating the methods of cultivation and cutting of sugarcane. The result was decisive. The increase during the first 4 years was barely noticeable, but unquestionable. With an annual rate of growth of 2.2 percent production increased by 7 percent. In 1955 there was a jump of 36.2 percent, an increase that assured further expansion, which, by 1959, reached 106.921 short tons total production. By the end of the decade, a final computation of production growth showed that it had been more than doubled with a total increase of 109 percent. By 1964 total production of the two principal mills, which account for approximately 92 percent of national production, was 190,000 short tons.

The annual rate of increase in the population of Ecuador is approximately 2.7 percent which means it has one of the highest growth rates in the Western Hemisphere. Up to 1950 the sugar industry was not able to satisfy local consumption within the country. The deficiency was made up by importation of sugar and use of a lower form known as panela (made from a noncentrifugal process). The per capita consumption in 1950 was calculated to be 15.1 kilograms per person. As low as this appears, still it was an increase over the previous amount of 9.4 kilograms per person for the period of 1930–34. With the growth of the sugar industry, the consumption per capita was able to increase to 15.24 kilograms by 1955, to 15.4 kilograms by 1959, and to 20.11 kilograms by 1964.

The expansion efforts of the Ecuadoran sugar industry have been of great benefit to the general economic growth of the country and have contributed substantially to improving the Nation's standard of living. At present the industry ranks fourth on commodity production, and sugar is the fourth largest item of export.

In 1951 there were 113.665 acres of land planted in sugarcane, or 6 percent of the producing land of Ecuador. Of this, 36,595 acres, or 32 percent were used for the industrial production of sugar, 46 percent for panela, and 22 percent for another lower form of sugar known as aguardiento. In 1959, the area dedicated to the sugar industry had increased very little, while the area used for the other two products (panela and aguardiento) registered a greater increase. In 1964 the total amount of acreage devoted to sugarcane for industrial production was 46,570 acres.

The sugar industry has two modern mills, San Carlos, owned by Sociedad Agricola y Industrial, which grinds 6,000 tons of cane per day, and Valdez, owned by Compania Azucarera Valdez whose capacity is 5,250 tons. Both are well equipped, efficient factories with high yields.

The two main producer-processors have been able to greatly expand production without substantially increasing the amount of acreage planted, and also they have constantly increased the number of persons employed in the industry. In the years of great expansion, 1960–64, the number of workers increased from about 11,000 to over 17,000. Approximately 70,000 people benefit directly from the industry.

Substantial investments, thanks to credit opportunities both from within and without the country, were made in order to effect orderly expansion of the industry. In addition to modernization of mills, great sums were expended on increased mechanization and cultivation and harvesting, variation and classification of cane varieties, irrigation, and intensive use of fertilizers.

The two principal mills are situated near the city of Guayaquil, the main seaport of the nation and the largest center of population and consumption. The industry has a network of rail, river, and road communications which facilitates transportation.

Ecuadoran sugar workers are among the best treated employees in the nation. They earn more than twice what is earned by the average worker in Ecuador. Sugar workers are unionized and represented by "Comites de Empressa" (enterprise committees). These committees represent at least 50 percent of the workers and they conduct all collective bargaining negotiations with the sugar companies. They are controlled and directed by Federal laws.

Among the many benefits enjoyed by employees of the two principal mills are:

1. 15 days of vacation per year.
2. 60 half-days paid allowance for sickness.
3. 50 percent of salary paid in the event of accidents suffered at work, such benefit lasting for up to 1 year of disability.
4. Free hospitalization, medicine and medical services.
5. Gratuitous payment of 1 month's salary per year.
6. Participation in 10 percent of the company profits each year.
7. Retirement benefits after 25 years of continuous work for one company.
8. Retirement benefits under a system of social security at age 65 with 30 years of participation in the program. Under this system a worker may also retire at age 55 without having the required 30 years membership and also receive a scaled-down rate of benefits.
9. A "Semana Integral" which is equivalent to a day and a half's free salary per week. A worker is also paid additional amounts if he works Saturday afternoons and Sundays with 100-percent surcharge on his salary.
10. Groceries and other provisions sold to workers at cost through modern factory supermarkets.
11. Free schools for workers' children.
12. Free movies for workers and their families.
13. Certain gratuitous death benefits.
14. Unemployment protection provided by means of a social security system.
15. Credit facilities available for building loans, on 20- and 30-year terms through the social security system.

All in all the fringe benefits paid to sugar workers signify about 6.47 percent of the total cost or production, including marketing costs in bringing the finished product to the consumer.

The sugar industry of Ecuador is a completely national industry from every respect including capital invested, direction and administration, employees and raw materials used.

Ecuador, as an underdeveloped nation with a limited number of commodities which can be economically produced, must trade to survive and the items it has to offer for trade are few. As has been previously stated, Ecuador used to have a monoculture which was wholly dependent on cocoa. The sugar industry, recognizing the need for diversification within the economy, and particularly within the area of agricultural production, raised its production by means of modernization of facilities in both field and mill. By so doing the industry not only was able to satisfy national consumer needs but also produce a sufficient surplus to make available a badly needed additional crop for export.

It was in 1961, following the cessation of importation by the United States of Cuban sugar, that Ecuador first shipped sugar to the United States. In that year the nation delivered a total of 36,010 tons. In 1962, the Ecuadoran sugar industry sought and was granted a basic quota position in the U.S. sugar market. By the amendments passed that year to the Sugar Act of 1948, Ecuador was awarded a basic quota of approximately 25,000 tons (when the consumption estimate of the United States was set at 9,700,000 tons). Following is a record of Ecuadoran sugar shipments to the United States:

Year	Basic quota	Charged to basic quota	Global quota	Deficit allocation	Total deliveries	U.S. consumption estimates
1961	36,010				36,010	10,000,000
1962	10,011	10,011	40,068	16,782	66,861	10,000,000
1963	28,048	27,048	28,156	2,793	57,997	10,400,000
1964	25,200	25,200	32,906		58,106	9,800,000
1965	57,114	(1)				9,200,000

[1] Authorized.

As can be seen from the above chart, although Ecuador was awarded only the basic quota of approximately 25,000 tons, it has been able to consistently supply to the United States more than twice that amount of sugar, since the passage of the 1962 amendments. As you know, it was during these years that the United States put forth urgent calls to all supplying nations to ship sugar over and above basic quota allocations. Ecuador responded to these pleas in an extremely admirable fashion. It did so despite the fact that it could have sold considerable quantities of sugar on the world market and received greater profit.

On the basis of its past performance, its proven dependability and loyalty to the U.S. market, the sugar industry of Ecuador feels justified in requesting of Congress a substantial increase in the basic quota allocation of 25,000 tons, made under the 1962 amendments to the Sugar Act. The exact amount of the increase we leave to the sound discretion of this committee. But Ecuador is in a position to offer upward of 90 million tons, to this market. Whatever the quota, the United States would be assured of a certain source of supply for this amount of sugar each year, and even greater quantities, should this country need it—and all of this sugar is within 10 or 12 days shipping time to U.S. ports. As a matter of fact, the sugar industry of Ecuador, to assure that it will always have an abundant supply for the U.S. market, will reserve a quantity of sugar equal to 50 percent of its basic quota, which amount will not be sold in other markets until released by the United States. New bulk storage facilities are being constructed in Ecuador and if it is the desire of the United States that such a reserve be held, whatever space is necessary to fulfill this commitment will be appropriate to it.

It is a privilege to have presented this statement to this distinguished committee and we respectfully submit it for your study and consideration.

Appending Statement of Quinn & Quinn on Behalf of the Sugar Industry of Panama Supplementing the Statement of Arthur L. Quinn Submitted to the Committee on Finance, U.S. Senate, in Hearings on Amendments to the Sugar Act of 1948

The Republic of Panama forms an isthmus that connects the gigantic landmass of South America with Central and North America. It is bounded on the north by Costa Rica and the Caribbean Sea and on the south by Colombia and the Pacific Ocean. Lying only 9° above the Equator and being bisected by the Panama Canal it has become the crossroad of world trade and is the geographic center of the Western Hemisphere. It is a mountainous country with two ranges which together traverse its entire length. The mountains enclose many fertile, well-drained valleys and plains. In the eastern part of the country there are great expanses of intense tropical jungle.

The Nation is 480 miles in length and from 37 to 110 miles in width. It has a landmass of 28,576 square miles, which by way of comparison makes it approximately one-half the size of Florida. Approximately 65 percent of Panama's total population live in rural areas. Although the soil is very fertile and the rainfall and other climatic conditions are favorable for growing a large variety of tropical fruits and vegetables, only a fraction of the rich interior plains and valleys has been brought into cultivation. It has been said that the Panama Canal, which traverses the heart of the country, is the primary reason for the neglect of Panama's rural areas. Analysts of the economic conditions of the Nation have found that much of the labor force, instead of being employed in more productive areas, is concentrated in the terminal cities, the economies of which are closely linked to the Canal Zone. Other students of the subject have attributed the neglect of the rural areas to various other factors, such as lack of adequate farming and transportation facilities, large scale land speculation, and an inefficient land tenure system.

The leading industries of Panama are agriculture, forestry, fishing, mining, and to a small extent light industry. In the area of agriculture the principal activities are livestock raising and the growing of bananas, coffee, cocoa, sugar, rice, maize, and tobacco. The forestry and mineral industries are conducted on a rather small scale but there is great untapped potential for both. The fishing industry consists of several major companies which export the bulk of their catches to the United States, the most important item being shrimp.

Towering over Panama's past and future is the Panama Canal which lies within the Canal Zone, the U.S. Government reservation. It occupies 375 square miles of land and 275.52 square miles of inland and tideland waters. The Canal Zone occupies a relatively small area in the nation of Panama. Its total land area is slightly over 1 percent of Panama, and the zone's population of approximately 47,500 usually runs about 4 percent of that of Panama's, whose population in 1964 was estimated to be approximately 1,250,000 people. The canal is an omnipresent component of Panamanian national life, and has always been the focal point for internal politics.

The strategic importance of the Panama Canal, particularly to the United States and also to this hemisphere, has often been proved. During World War II, 5,300 combat vessels transited the canal and 8,500 other ships carried troops or military cargoes through it. This was an implied saving in much time and money for allied nations. A similar phenomenon occurred in 1953 during the Korean war. Over 1,000 U.S. Government vessels used the Panamanian waterway to carry supplies to the U.N. forces in the Far East. And now, once again, in the ever-widening war in Vietnam, the strategic importance of the canal is being reemphasized. Already, crack fighting units and the materials to supply them are passing through this vital waterway bound for the conflict.

The strength of the United States, which rests in large measure upon our Nation's economic well-being, depends in turn upon the availability of raw materials for its ever-growing industry. It has been said that the closing of the Suez Canal in 1956 demonstrated the need to keep the Panama Canal in effective operation, if serious destruction of the economies and defense capabilities of many of the free nations of the world are to be avoided. In 1962 approximately 22,-189,000 long tons of U.S. exports and 17,669,000 tons of U.S. imports, and 5,620,000 tons of cargoes moving in the U.S. intercoastal trade passed through the Panama Canal. The canal permits a substantial saving for the United States in both intercoastal and foreign trade. By reducing transportation costs, it benefits the American consumer.

That the United States needs the Panama Canal has been aptly demonstrated by the fact that it is currently exploring the possible construction of an additional canal, the site of which will probably also be in Panama. Because the United States relies so heavily upon the existence of the canal, it must of necessity be continually and vitally concerned with the economic stability of the nation of Panama. For years income from the lease of the canal has largely supported the national economy. One-third of all Panamanian revenue derives from the zone, through wages paid employees and expenditures by and on behalf of temporary U.S. personnel assigned to this zone and maintenance of canal facilities.

Undoubtedly a strong motivating factor in the recent decision of President Johnson to give control of the Canal Zone to Panama was concern for the economic well-being of the country. The eventual effect of bringing the zone within the Republic of Panama will be extremely beneficial to the nation.

With such emphasis upon the zone, important sectors of the economy have been neglected, but in recent years steps have been taken to diversify the economy and reduce the tremendous gap that Panama perpetually suffers in its ratio of imports to exports. In 1964, for example, Panama had total imports from all sources of $169.1 million, an increase of about 3 percent over 1963, while exports were $59.1 million, an increase of 22 percent over 1963. The biggest beneficiary of the Panamanian necessity for importation has always been the United States. In 1963 direct imports from the United States to Panama amounted to $74 million, as compared with $66.7 million in 1962. This represents approximately 45 percent of all total foreign procurement for a country. The 1964 figures show imports from the United States amounted to $109,835,775, while exports to this country amounted to only $40,147,690—a great deficit in our favor.

As has been noted before, only a fraction of the fertile lands that could be devoted to agricultural production have been put under cultivation. But in recent years concerted efforts have been made to increase the production of basic commodities. The Government is conducting programs for the purchasing of crops at fixed prices, lending agricultural equipment to farmers, and advancing money to encourage the setting up of new agricultural enterprises, as well as the development of existing ones. The Ministry of Agriculture, Commerce, and Industries is coordinating plans for the Economic Development Institute and the Agrarian Reform Commission. These agencies have concentrated on planning, increasing, diversifying, and rationalizing agriculture and thus far have been achieving good success.

In the same vein it should be noted that there is considerable interest in Panama's participation in the Central American common market. The present Government is said to believe that Panama has no choice but to associate itself with the common market to obtain access to a market of 15 to 16 million people. President Robles has recently announced the creation of a Foreign Trade Advisory Department which will deal principally with matters pertaining to the Central American common market.

The U.S. Agency for International Development has instituted various programs in cooperation with the several agencies of the Panamanian Government. It has recently approved a $2.5 million loan to the Panamanian Government to foster agricultural development. Also there have been recently expanded loan programs in this sector by two local private U.S. banks. In its capacity of a principal participant in activities of agencies of the United Nations and the various multinational financial institutions the United States has also done much to foster the economy of Panama.

However, it should be quickly noted that while the United States is attempting to stimulate the growth of the Panamanian economy, it does not mean that our exports will be deprived of sales opportunities while the dollar gap is being closed. On the contrary, recent Department of Commerce reports indicate considerable opportunity exists in various sales areas, particularly agricultural and related equipment.

Any discussion of the expansion of agriculture in Panama must include special reference to the sugar industry. Sugar is the fifth ranking industry in Panama and ranks fourth among agricultural commodities. Sugar is grown in eight of Panama's provinces with heaviest production being centered in Cocle, Veraguas, and Herrera. Sugarcane is grown on a total of approximately 23,500 acres, which includes the plantations of the 2 principal companies and the farms of over 2,100 independent growers.

The manufacturing of raw sugar in Panama began in 1914 and has steadily developed in scope and in importance. There are today two commercial mills, Azucarera Nacionale, S.A. and Compania Azucerera La Estrella, S.A., which manufacture raw sugar from cane grown on their own plantations, and on the farms of the independent growers. The investment in the sugar industry is one of the largest in the nation representing approximately $20 million. Almost all equipment and machinery used in Panamanian sugar production is manufactured in the United States.

The two mills have a combined daily grinding capacity of 6,000 tons of sugar cane. This will be increased to approximately 10,000 tons per day by 1970. Raw and refined sugar is produced as well as alcohol, molasses, and other products. The companies have always enjoyed good relations with the Government, local consumers, and the public in general. The high quality of the refined sugar produced is recognized by domestic consumers as well as foreign users.

The prominent and respected families of Chiari and Delvalle-Penso have cautiously guided the sugar industry on a course of gradual expansion. Now, with Government urging, it is their desire to increase the rate of development in the hope of affording the nation the benefits to be derived from increased sales of this important money crop, through which she can obtain the badly needed foreign exchange which is necessary for continued national growth. The following chart indicates the gradual increase in sugar production.

	Short tons raw value
1955 to 1960 (average)	25,000
1961 to 1962	40,000
1963 to 1964	54,000
1964 to 1965	63,000

Approximately 29,000 tons of sugar is currently consumed domestically, leaving over 30,000 tons available for export to the United States.

Exclusive of the independent farmers the sugar industry employs over 3,800 persons and provides support for an estimated 10,000 people. Factory employees are unionized, and labor contracts are negotiated each year. Employees enjoy numerous fringe benefits, holidays, sick leave, vacations, and medical care.

At any given time the two sugar companies can store 20,000 tons of sugar for the American market with existing facilities. New bulk storage warehouses are being constructed to increase storage capacity by an additional 10,000 tons. In the future, Panama can have on hand for shipment to the U.S. market (shipping time 5 to 7 days) 30,000 tons of refined and raw sugar depending upon our needs.

It is an avowed policy of the United States to provide for the developing nations, particularly those in this hemisphere, stable markets for the sale of their basic commodities at fair returns, in order to allow them to obtain dollars needed for sound development. Sugar, proven dollar earner for the nations of this hemisphere, is a logical choice of a commodity that should be selected for expansion in Panama. A valuable source of revenue could be provided for Panama by affording her the opportunity to ship additional quantities of sugar to the United States, over and above the basic quota allocation of approximately 15,000 tons which she was awarded by virtue of the 1962 amendments to the Sugar Act. It is the earnest desire of Panama that she be granted a quota which would place her on a par with the other participants in Central America. The basic quotas awarded to the Central American nations in 1962 were as follows: Nicaragua, 25,000 tons; Costa Rica, 25,000 tons; Guatemala, 20,000 tons; and El Salvador, 10,000 tons.

In summary, on behalf of the sugar industry of the country of Panama, we strongly urge this committee to consider the unique position that Panama enjoys in this hemisphere and in particular its extraordinarily sensitive relationship with the United States. Because of our vital interest in the Panama Canal we must necessarily have a desire for well-being and tranquillity within the nation of Panama. It is imperative, therefore, that the United States assist this nation in its efforts to evolve a viable economy. In order to do this Panama must be permitted to close the vast chasm that has always existed between what she is forced to import and the comparatively small amount that she is able to export. She must be permitted to export commodities and products that she can produce practically and sell for adequate return. Sugar is a perfect choice for such a commodity. In comparison to the amount of sugar that the United States consumes on a yearly basis the award of an additional 10,000 to 15,000 tons of basic quota to Panama is inconsequential, but an increase of this size in her quantity of exportable sugar would be of immeasurable importance and benefit to this small nation.

We respectfully submit this plea and strongly urge the committee to give it favorable consideration.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF BRITISH HONDURAS SUPPLEMENTING THE STATEMENT OF ARTHUR L. QUINN SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, IN HEARINGS ON AMENDMENTS TO THE SUGAR ACT OF 1948

We are pleased to present this statement on behalf of the Corozal Sugar Co., Ltd., of British Honduras. The Corozal Sugar Co. grows substantial quantities sugar in British Honduras and processes all of the sugar cane produced.

British Honduras is officially categorized as a dependent territory of Great Britain, but is rapidly emerging as an independent nation. In 1964, England granted the country internal self-government and, when both Great Britain and the government of British Honduras consider that the country has sufficiently developed, she will then be granted her complete freedom.

Belize, as British Honduras is known throughout Latin America, is a coastal strip some 175 miles long and about 70 miles wide at its broadest point. This small corner of Central America lies on the eastern shore of the Caribbean below the Yucatan Peninsula of Mexico. It has a land area of 8,867 square miles, which is roughly equal to the size of massachusetts and it is the second smallest political division on the American Continent, being slightly larger than San Salvador, the smallest Latin American state. It is bounded on the north and northwest by Mexico, on the south and west by Guatemala, and on the east by the Caribbean Sea. A barrier of coral reefs and small islands parallels the country at distances up to 30 miles from the shore.

The northern half of British Honduras consists mainly of a low lying coastal plain, which is frequently swampy but contains much fertile and potentially rich agricultural land. The southern half of British Honduras consists to a lesser extent of a coastal plain but also has the Maya Mountain Range with peaks rising to over 3,000 feet. The climate is generally subtropical and is on the whole agreeable to nontropical peoples and the raising of tropical products. The mean annual temperature for the nation is around 80°. Along the coast the heat and humidity are tempered by sea breezes during most of the year.

British Honduras, with a population slightly in excess of 100,000 people, is one of the least populated areas in the world, but with a birth rate of over 3 percent it has one of the highest rates of population increase. Close to half of the population is centered in and around the capital city of Belize. The long and romantic settlement history of British Honduras has produced within the small population a great variety of racial types. Attempts at classification of race are very unsatisfactory due to the great amount of mixing that has been done through the years. Suffice it to say that Negroes, Latin Americans, American Indians, and whites, and all combinations thereof, live in peace and harmony within the country. A variety of language is spoken with English and Spanish predominating.

British Honduras once comprised a major portion of the Mayan Indian empire. Once, over 750,000 Mayans lived in present-day British Honduras. From the 4th century to the conquest of the 16th century their civilization was the most brilliant and advanced in the new world but, about A.D. 900, for still unknown reasons they abandoned their cities in and about British Honduras and migrated elsewhere.

The first Europeans came to British Honduras in 1502 when Columbus sailed along its coast. It became a British colony in 1862 following a very stormy history. Up until 1946 the country was almost forgotten by the British. Hurricane winds in 1931 had almost destroyed Belize and devastated plantations. By the time the country had partially recovered World War II arrived. But, starting in 1946, British Honduras took on a new look and approach. The British Government, through the Colonial Development Co., encouraged expansion by conducting a series of studies on economic development needs. Serious investment and development took place until on October 28, 1961, the fearsome Hurricane Hattie, with winds gusting up to 230 miles per hour, devastated the country and flooded the capital. Reconstruction and development following Hurricane Hattie has been very well organized and steady, but much remains to be done before the country is able to stand on its feet economically.

Self-governing authority is vested in a cabinet consisting of a Premier, the Honorable George C. Price, and his ministers. Foreign affairs and internal security matters remain within the jurisdiction of the British Colonial Governor. Political stability is an outstanding characteristic of the country.

The economy of British Honduras has been traditionally based on forest products, especially tropical woods and chicle, the basis of chewing gum. By any standards it is a poor country and has never been able to support its small population. Food as well as manufactured articles must be imported in great quantity. Neither the people nor the land itself are the primary causes of the poor economic situation. Various circumstances far beyond their control, such as Hurricane Hattie, have greatly influenced its economic position. Mahogany has become harder to find and more expensive to process. Log wood, which served as a source of dyestuffs has been largely replaced by synthetic dyes and artificial gums have largely replaced chicle. Thus far efforts at raising bananas have met with failure due to Panama disease. British Honduras exhibits most of the problems typical in an underdeveloped country except that of the pressure of population. It is afflicted with the common malady of so many developing nations; that is, a considerable gap between her exports and imports. Over the past 10 years imports for British Honduras have more than doubled. Although total exports have increased significantly the country still finds herself plagued with a gross imbalance of trade. The United States is the largest single supplier of imports, having supplied approximately $10 million worth in 1964, as opposed to taking approximately $4 million worth of British Honduran exports. The Government is acutely aware of this problem and if the country is ever to balance its economy it must place emphasis on the development of agricultural commodities. As mahogany and other lumber products are fast declining as large export items, sugar and citrus loom as the most important products in the development of the economy.

On paper, the problem does not seem so gargantuan as the trade gap might indicate. The country has plenty of unused fertile land, particularly in the southern portion. The subtropical climate suits many crops. A serious handicap is that much of the very rich soil is being held by private owners for speculation, in the hope of an increase in acreage prices. But the Government still owns many thousand fertile acres which could be successfully put into agricultural production and steps will probably be taken to force absentee landholders to either put their land into production or sell it.

The Government's hardest problem will be to convert, not the land, but the people. There are comparatively few farmers in British Honduras. Of the population of slightly more than 100,000 over one-third of the people are crowded into the capital city of Belize. There are about 15,000 more people in other towns, leaving the rest of the country sparsely inhabited.

The people adhere rigidly to patterns of traditional prestige. Many of the natives feel that it is beneath their dignity to till the soil. The Government is undertaking a vast educational and psychological effort to change the attitudes of its people. It is earnestly attempting to raise the level of economical activities sufficiently to absorb the unemployed and underemployed labor resources.

The Government of British Honduras has as its main economic concern, however, the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its shrinking economic base. British Honduras has found financial help extremely hard to come by because the only government that can render assistance is Great Britain and it has been unable to make large contributions or loans. Current U.S. policy does not permit this country to make loans because our AID funds are generally not available to dependencies of other nations. It cannot participate in programs of multinational banks because it is not a contributing member. Therefore, at present, British Honduras must look only to private investment to spur its economy.

Definite proof of the effect that substantial private investment can have upon the economy of the nation was evidenced by the purchase in 1964 by the Corozal Sugar Co., Ltd. ,of the sugar manufacturing industry of British Honduras. Until 1963 there was but a single sugar factory which was located in the northernmost district of the country. No more than 28,000 tons of sugar had ever been produced in British Honduras. In its first year the Corozal Sugar Co., Ltd., increased production by more than 20 percent from the previous year and a total of 38,000 short tons of sugar was produced. More than 20,000 acres of sugarcane will be harvested this year and production is expected to amount to 43,000 tons, with further increases planned in the future.

The government recently negotiated a loan of nearly $430,000 for the independent cane farmers of the country. The number of independent cane farmers has increased from about 500 in 1962 to the present total of 850 and it is anticipated that ultimately 2,000 cane farmers will participate in supplying at least 50 percent of the sugarcane production in the country.

The construction of a new sugar factory began in March 1965, and it is expected to begin operation in January 1967. Land clearing and planting of the additional cultivation acreage to supply the new factory is progressing and it is hoped that by 1970 between 70,000 and 75,000 acres will be producing. The estimated cost of this expansion is in excess of $20 million over the next 10 years.

The sugar industry is very strictly controlled by the government principally for the benefit of the private farmer and the national economy in general. There is a "cane cess" which is in the amount of 10 cents per ton of sugar processed, and this amount is paid directly to the Cane Farmers Association by the factory in order to promote the production of privately produced cane.

Wage rates for sugar workers are higher than any other area in the Caribbean. There are minimum wage rates which are 44 cents an hour for factory workers and 36 cents per hour for fieldworkers. Presently there are approximately 1,000 employees in the sugar industry and there will be more than twice that number for the new factory. Workers usually work an 8-hour day, 6 days a week. Canecutters are awarded $1.75 per ton, usually cut from 6 to 7 tons of cane a day. They share in a profitsharing scheme. There is an incentive bonus based on the company's earnings which is tied to the price of sugar. Workers are also given numerous holidays, fringe benefits, sick leave, and vacations.

In 1962 British Honduras petitioned the Congress for a 30,000-ton U.S. quota. American Factors, the large Hawaiian firm, was prepared to establish a second cane factory in the country if a sizable U.S. market could be assured. Instead, Congress awarded a quota of 10,000 tons and American Factors withdrew its offer. With no expansion of facilities production remained constant at about 28,000 tons. In 1962 British Honduras shipped no sugar to the United States and in 1963 it shipped 1,712 tons. Under the provisions of section 202(D) of the Sugar Act the Department of Agriculture was forced to sanction the country, for failing to fill by more than 10 percent its quota in 1963, and accordingly British Honduras' quota for 1964 was reduced to 974 tons. However, by virtue of additional shipments under the global quota, the country did ship to the United States during 1964 a total of 6,224 tons, and it stood ready to ship an additional 5,000 tons had it been needed. Thus far in 1965 it has been authorized to ship 4,342 tons and stands ready to ship another 10,000 tons. By 1966 British Honduras could ship 20,000 tons to this country and about 50,000 tons in 1967.

The performance of British Honduras in 1962–63 cannot be condoned. However, in all fairness it must be pointed out that it was not until the beginning of 1964 that the Corozal Sugar Co. purchased the sugar producing facilities in British Honduras and embarked upon the program of rapid expansion that will enable the country to increase its production and more than meet its commitments to its markets, particularly the United States. This tiny nation pleads with this committee to give it the opportunity to show how well it can perform now that its sugar industry has been given new life.

The development of the sugar industry has been a tremendous incentive to development of the country in general. By the very fact that such a large investment was announced other large corporations have professed interest in the country. Economic development of this sort would also lead to development of infrastructure which is so badly needed for advancement.

Sugar has fast become the most important industry in the country. In its drive toward independence it can only make economic gains by enlarging its production of basic agricultural commodities. But it does it no good to produce unless it can sell. Considering the total amount of sugar to be distributed by this committee to foreign countries an award of a relatively minute amount to British Honduras could accomplish a world of good for this small and poor neighbor of the United States.

We respectfully submit this petition for your scrupulous consideration.

Senator LONG. Our next witness is Mr. Albert S. Nemir, appearing on behalf of the Brazilian Sugar and Alcohol Institute.

STATEMENT OF ALBERT S. NEMIR, REPRESENTING THE BRAZILIAN SUGAR AND ALCOHOL INSTITUTE

Mr. NEMIR. Mr. Chairman, I am Albert S. Nemir of the firm of A.S. Nemir Associates, and I am accompanied today by Mr. Herbert C. Hathorn. Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government.

We appreciate the opportunity to present our request for a fair participation by Brazil in the foreign quota allocations of sugar to be made under H.R. 11135. This bill, as written, corrects some of the inequities of the administration's bill which was unfair to Brazil, the largest exporter in the Western Hemisphere with the greatest available sugar supplies for export, the greatest reserve stocks for emergency supplies, and the greatest potential for expansion.

IMPROVED POLITICAL AND ECONOMIC CONDITIONS

I am sure the committee members are aware of the great change which occurred in the Brazilian Government as a result of the overthrow of the Goulart regime in April 1964 through a revolution widely supported by the people of Brazil. In the words of the American Ambassador to Brazil, Mr. Lincoln Gordon, this revolution—

> may well take its place alongside the initiation of the Marshall plan, the ending of the Berlin blockade, the defeat of communistic aggression in Korea, and the solution of the missile base crisis in Cuba, as one of the critical turning points in mid-20th-century world history.

In 1962 we presented compelling reasons why it would be mutually beneficial to the United States and to Brazil, and wholly in accord with the purposes of the Sugar Act, for Brazil to receive a substantial sugar quota within the U.S. system. Those same reasons apply equally well today, but we respectfully submit that the record of the Government of Brazil under its President, Marshal Humberto Castello Branco, should remove the objections we encountered during our last appearance. The new Government has made rapid and dramatic strides in the short period since April 1964, both in the internal life of the Brazilians and in world affairs. Internally, steps have been taken to:

1. Institute an austerity program to combat inflation, including withholding tax legislation.
2. Enter into an investment guarantee agreement with the United States to make certain American investors are fully protected in the future should they participate in the development of Brazilian economic resources and productive capacities.
3. Amend Brazilian law to speed up legal remittances abroad of profits, dividends, royalties, and payment for technical services.
4. Expedite settlement of expropriation cases the previous Government had not yet resolved.
5. Institute internal reforms in Government and eliminate corruption.

In the international field:

1. On May 13, 1964, a little more than a month after the revolution, Brazil severed diplomatic relations with Cuba.
2. Brazil responded at once to the request of the OAS to send troops to form part of the peace force in the Dominican Republic. This action was approved on May 19 by the Brazilian Chamber of Deputies by a vote of 190 to 99 with a resolution authorizing dispatch of troops, and on May 20, the Senate followed suit by a vote of 39 to 9. Immediately thereafter more than a thousand troops were sent to the Dominican Republic at a cost to Brazil of $1 million a month, and it is worth noting that Brazil is the only Latin American country sending more than a token force. At the request of the OAS, Brazil made available Gen. Hugo Panasco Alvim to serve at commander of the OAS forces in the Dominican Republic. Subsequently, Brazil joined the United States and El Salvador in furnishing representatives to serve on the OAS ad hoc peace committee.
3. More recently Brazil promptly complied with a U.N. request and made available 10 officers of its armed services to form part of the U.N. team of observers of the cease-fire between India and Pakistan.

In short, we submit that Brazil is actively demonstrating both at home and to the world her capacity for leadership as a member of the community of nations working together to meet the challenge of today's world. There are overwhelming political reasons to reward Brazil now, whereas the justification is greatly diminished for continuing Cuba's quota at 57.77 percent of permitted foreign imports from countries other than the Philippines. Brazil needs assurances of a substantial permanent quota now.

BRAZIL'S 1965 QUOTA INEQUITABLE

Mr. Chairman, the spot world price of sugar for the past few months has been around 2 cents a pound, and this is less than one-half the cost of producing sugar in any country of the world. Incidentally and parenthetically, it may be observed that the Brazilian Sugar and Alcohol Institute annually compiles cost of production figures. Table IV gives cost data in terms of Brazilian currency for raw sugar in the 1963–64 and 1964–65 crop years. The cost of transporting sugar from mills to a free on board port stowed condition averages a little over 1 cent per pound which means that raw sugar costs in Brazil in 1964–65 averaged about 5 cents per pound, free on board port.

Currently, Brazil is forced to sell on the world market over three-fourths of her export supplies at these dumping prices. Much of this is the result of the Department of Agriculture's formula for allocations for 1965 which gives double weight to 1964, the year in which U.S. imports were the lowest in over 20 years. We request that consideration be given to adjust this inequity to Brazil. The formula does not follow the foreign quota guidelines established by the Congress in 1962, nor is it in line with the criteria and objectives which have been a part of the Sugar Act for the last 31 years. These objectives are:

1. To regulate commerce among the several States with the territories and possessions of the United States and with foreign countries.

2. To protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry (an adequate and stable supply).

3. To promote the export trade of the United States.

We petition the committee to increase Brazil's quota by applying the criteria established by the Congress.

REASON FOR DISREGARDING 1964 IN ESTABLISHING BRAZIL'S QUOTA

(1) 1963 was the most critical year of U.S. sugar supplies: It is well known to this committee, as well as to housewives, refiners, industrial users, and the entire sugar trade, that 1963 was a more critical year than 1964 in the U.S. supply price problem. It is also well known to this committee that the domestic beet crop in 1963–64 was to be the biggest in history. Therefore, it was an unusual situation when the United States asked for the advance commitment of 1 million tons of the global quota for 1964 as early as December 1963 and January 1964. Furthermore, this was only two-thirds of the total global quota of 1,503,861 tons to be allocated for 1964.

Table III illustrates the relative importance of sugar supplies in the 2 critical years 1963 and 1964, and demonstrates that 1963 was a far more critical year. For example, the table shows the entries and marketings of sugar in 1963 in the continental United States to have been 10,515,000 tons, as compared with 1964 when only 9,109,000 tons were entered and marketed—or a reduction of 1,406,000 tons. Supplies required in 1964 from foreign countries other than the Philippines were reduced from 3,360,000 tons in 1963 to 2,369,000 tons in 1964, a decrease of nearly a million tons. Furthermore, the year 1964 was characterized by depressed prices after the first of the year—so much so that for the first time in the 30-year history of the operation of the Sugar Act the administration resorted to quarterly quotas in order to bring the depressed sugar price in the United States up to the levels of the objective provided in the Sugar Act.

The comparative situations in 1963 and 1964 having thus been described in general terms, it is pertinent here to insert statistical data regarding the performance of foreign sugar suppliers during the period when world market prices were higher than U.S. prices; that is, from February 1963 to May 1964. The last quarter of 1963 was the most critical in this period when the indicated average loss to a supplier selling in the U.S. market rather than the world market was about $53 per ton. The following table (with figures in short tons) shows that Brazil supplied the United States with more sugar, at the greatest loss, during this period than any other country.

	Imports October, November, and December 1963	Percent of total shipments in 4th quarter	World premium over U.S. price
Brazil	227,000	26.8	
Dominican Republic	94,000	11.1	
Mexico	29,000	3.4	
Peru	142,000	16.7	[1] +$2.18
Australia	70,000	8.2	[2] +3.23
British West Indies	17,000	2.0	[3] +2.52
Other 23 suppliers	269,000	31.8	
Total, excluding Philippines	848,000	100.0	
Philippines	223,000		
Total, including Philippines	1,071,000		

[1] October.
[2] November.
[3] December.

Source: USDA Sugar Division, Oct. 8, 1965.

Another important facet of the situation that existed during the entire period of higher world prices is shown by the following table (with figures in short tons) comparing U.S. imports of global sugar from principal quota holders from January 1963 to May 1964:

	Global sugar imported (January to December 1963)	Global sugar imported (January to May 1964)	Total imports (January 1963 to May 1964)	Change in administration's double weight 1964 formula
Brazil	282,000	0	282,000	282,000
Dominican Republic	198,000	21,000	219,000	240,000
Mexico	21,000	208,000	229,000	437,000
Peru	208,000	26,000	234,000	260,000
Australia	180,000	0	180,000	180,000
British West Indies	0	28,000	28,000	56,000

Source: USDA Sugar Division, Oct. 8, 1965.

(2) Abundant supply prospects were indicated late in 1963: It was clear in late 1963 (November–December) that the 1963–64 U.S. continental beet crop and the mainland cane crop would be the largest in history. Similarly, 1963–64 world production of beet sugar which is largely produced in the months of October, November, and December, was also known to be of record proportions. Further, many major sugar-producing countries such as Australia, Mauritius, and Fiji, produced their crops from June to November and were, therefore, in a position in December 1963–January 1964 to commit sugars to the United States based on a harvest just finished—and these crops were at high levels.

Considering that these large increases in production should have been obvious at the time, on questions the justification for the unusual action taken to obtain forward commitments of sugar at this point in time. In fact, sugar marketing specialists could well raise the question that the U.S. action in obtaining forward commitments of 1 million tons of sugar contributed to the maintenance of the world market price above the U.S. price for the first 5 months of 1964, or at least for longer than would otherwise have been the case.

It is true that Brazil only committed her basic quota and did not offer to supply against the Department's initial nonquota request in January 1964. Brazil's crop position was then unclear after 2 years of bad weather, and while she produces sugar continuously throughout the year, the heaviest period of production is in the last half of the year when both the north and the south areas produce sugars simultaneously (chart 3). When the crop was known by mid-1964, the United States was oversupplied and unable to allocate the remaining 503,861 tons. This dprived the Brazilian Governmnt, new as of April 1964, of the opportunity to supply additional qualities of sugar. World prices dropped below U.S. prices by June 1964. The result was substantial benefits for those who quickly committed sugars in 1963 and January 1964, and actual penalty for those who deferred offers, possibly basing their action on the expectation that more than 500,000 tons would still be allocated later in 1964.

It would be wrong to Brazil to use a formula that ignores the objectives of the act that have endured for 31 years and gives continuous benefits based on one extraordinary situation. It would be wrong to ignore the new government, particularly since the most substantial contribution to the U.S. supply crisis was given by Brazil in 1963. We believe the year 1963 was a far more important contribution when the world shortage was obvious and the U.S. supply situation was critical. In that year Brazil supplied 468,822 tons of sugar, the second largest contribution of any supplying country in the Western Hemisphere.

Mr. Chairman, if selling to the United States at a price below the world price is the basis for rewarding contributing countries, then 1963 would have been a more representative year to have been given double weight. We call your attention to the fact that world prices exceeded U.S. prices in 11 months out of the year, whereas in 1964 the situation existed for only 5 months out of the year.

The following table compares 1962 when the world prices averaged $2.58 per hundredweight below U.S. prices with February 1963–May 1964 (16 months) when world prices were above U.S. prices. During the 16 months from February 1963 through May 1964, of higher world prices, Brazil actually shipped 9,012 tons less at the higher world price than she did in 1962, while the Dominican Republic increased shipments by 228,468 tons, Peru by 225,912 tons, and Mexico by 84,286 tons.

	World premium over U.S. price (per hundred weight)	Shipments to world markets (short tons)			
		Brazil	Dominican Republic	Peru	Mexico
1962 (average)	−$2.58	132,271	29,958	0	0
1963:					
January	−.40				
February	+.15	1,799	5,680	5,686	0
March	+.47	0	12,244	13,856	0
April	+.28	0	21,881	8,542	0
May	+.19	9,967	20,351	302	0
June	+2.12	23	21,218	7,485	0
July	+2.00	0	25,155	9,180	0
August	+.88	42	7,575	6,391	0
September	+1.09	34,944	8,821	9,789	0
October	+2.18	0	5,903	21,478	0
November	+3.23	0	6,821	13,076	12,448
December	+2.52	29,117	3,673	10,380	21,845
Total, February to December		75,892	139,322	106,165	34,293
1964:					
January	+2.28	19,876	7,265	35,021	6,749
February	+2.02	11,610	35,255	26,352	10,449
March	+1.03	15,923	18,699	24,464	8,049
April	+1.54	0	28,466	16,965	10,247
May	+1.39	58	29,419	17,215	14,499
Total, January to May		47,367	119,104	119,747	49,993
June	−.20				
Increase or decrease in exports at premium prices compared with 1962		(−9,012)	+228,468	+225,912	+84,286

Source: International Sugar Council bulletins, 1962, 1963, 1964, 1965: sugar reports, U.S. Department of Agriculture.

JUSTIFICATION FOR INCREASING BRAZIL'S QUOTA NOW

(1) Brazil a large and dependable supplier of sugar (chart 2): Brazil is the largest producer of cane sugar supplying the United States market and has the greatest potential for expansion. The 1964-65 crop which ended on May 31, 1965, totaled 4,100,000 tons. This clearly established that Brazil's rhythm of production and her export potential are fully recovered from the drought- and frost-stricken crops of 1962 and 1963.

The 1965–66 crop, which began on June 1, is scheduled for authorized production of over 4,500,000 short tons, raw value, and the Brazilian Sugar and Alcohol Institute has authorized an export quota of 980,578 short tons. Records of the Institute show that the Brazilian sugar industry has a crushing capacity of 332,513 tons of cane per 24 effective hours which would permit production of about 5,500,000 short tons, raw value, on the basis of installed capacity at this time.

(2) Importance of sugar exports to Brazilian economy (chart 1): Sugar in the Brazilian economy is particularly important in the northeast where production is in excess of consumption. The export trade of Brazil is concentrated in this region as, for example, in 1965–66 Pernambucco has an authorized allocation for export of 440,003 short tons, raw value, and the Alagoas is authorized to export 226,287 short tons, raw value (table I). This is the area where US/AID and the Brazilian Northeast Development Agency (SUDENE) are jointly concentrating their efforts on much-needed improvement.

AID has been studying agricultural development and adjustment in the area to establish agrarian reform with a view to acting jointly with the Brazilian Government to rehabilitate the area, stressing improvement in social conditions, raising per capita income and nutritional standards, including increasing the efficiency of the utilization of land and other resources of the area.

The northeast has lost its former outlet for sugar for domestic consumption in the center/south. Therefore, an ideal opportunity exists to improve the situation in the northeast by using sugar export dollars to finance acquisition of needed materials. Studies have established, for example, the difficulty of the food supply of the northeast and the fact that the needed expansion of local production of foodstuffs, which will require fertilizers, processing equipment, marketing facilities, and certain other types of food, will not diminish the need for imported wheat.

In the northeast the sugar industry is associated with the economic well-being of 25 million to 30 million people. Sugar exports make a major contribution in achieving mutual goals of both the Governments of the United States and Brazil.

(3) Agricultural trade potential (charts 4 and 5): Brazil, as the largest importer of U.S. agricultural commodities in Latin America contributes substantially to the objectives of the act "to promote the export trade of the United States." In 1964, Brazil's imports of agricultural commodities totaled $147.1 million (chart 4). This was primarily much-needed wheat as Brazil's production potential is currently less than 10 percent of requirements which have averaged between 2 million to 2½ million tons for the past 10 years.

Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined. With a population of over 80 million persons, or very nearly one-half the population of Latin America, and with unfavorable experience with national production of wheat, it is obvious that Brazil will be an important U.S. market for substantial imports for the next decade, or at least within the framework of the current term of the proposed Sugar Act.

Studies show that Brazil will need upwards of 1 million tons of wheat annually, in addition to the usual purchases under existing agreements with Argentina and Uruguay. Brazil will provide in the future one of the largest cash markets for U.S. wheat of any country in the world as the current program for economic growth is achieved.

In presenting Brazil's case to the Congress in 1962 a definite proposal was made concerning sugar-wheat trade. The proposal was well received by the Congress. However, as we previously stated, political considerations worked against its acceptance. The potentialities for sugar-wheat trade continue to exist as Brazil still will have the problem of importing large quantities of wheat and still has the balance of trade and foreign exchange problems. For example, on August 20 the Brazilian Government, through its Embassy in Washington, presented officially a proposal to use the dollar receipts from 100,000 tons of sugar to be supplied against the Puerto Rican deficit for the immediate purchase of U.S. wheat during the following 2 or 3 months.

(4) Brazil has an excellent record as a supplier to the U.S. market: Until the Sugar Act was amended in 1962 Brazil was not within the quota structure of the United States and was forced to sell on the

world market (average) exports of around 850,000 short tons, raw value (table II). She was the only large producer of sugar, exporting substantial quantities without the benefit of a sheltered market. In 1962 Brazil was given her first opportunity to participate in the U.S. quota system. Brazil did contribute to the extent permitted in 1961 when approximately 330,000 tons were shipped to the United States out of the total exports in that year of 837,000 short tons, raw value. It is obvious that had she been permitted, she would have shipped the entire amount to the United States inasmuch as world prices were substantially below the U.S. price.

In 1962 Brazil's exports were 538,000 tons, of which 406,000 tons were supplied to the United States.

During the year 1963 when world prices exceeded U.S. prices for 11 months and sugar was scarce, Brazil exported 469,000 short tons to the United States. This year of 1963, the first full year of operation under the new Sugar Act of 1962, more nearly reflected the basic quotas established by the Congress than did other years to date. It was influenced the least by administrative action since the latitude therefor was reduced by the fact that the 1962 amendments were in full effect and the United States needed sugar.

The abnormal and unrepresentative year of 1964 has already been referred to herein. It is worth while again to highlight its major features. Only 2,371,000 tons of sugar were required from foreign sources other than the Philippines. This was the lowest annual amount imported during the past 22 years and was nearly 1 million tons less than imports in 1963.

Furthermore, the United States withheld over 500,000 tons of the global quota announced in December 1963. Actually, the allocation to foreign countries was substantially completed early in 1964.

At the same time, Brazil's supply potential for 1964 was unclear after 2 years of adverse weather. The Goulart government was on its last legs, so to speak, and honored only its basic quota and deferred offering additional sugars until later when supplies available for export would be more clearly defined. After April 1964 the new revolutionary government had no opportunity from that time on to offer sugars since the U.S. market was closed because of the oversupply of sugars on hand.

When the 1965 quotas were announced by the Department of Agriculture giving double weight to 1964, we protested that the quotas announced constituted a major diversion from the basic formula established by the Congress in the Sugar Act under section 202(c)(3)(A). It was not fair to the new Government of Brazil to place on it the burden of the peculiar situation that arose out of the action taken by the Department in allocating the 1964 quotas so early in the year and it is double penalizing to use the unrepresentative year 1964 as a continuing measure for the future. Brazil, while it has production throughout the year and has stocks on hand greatly in excess of any other major exporter of sugar to the free world, does have a concentration of production in the second half of the year. Most of the major Western Hemisphere sugar producers are geared to the first half of the year, or December–May. Had the call for sugars come in the second half the advantage would have been to Brazil.

In 1962 we were confronted at the hearings with the expropriation matter and Brazil's quota was held fractionally under that of other major Western Hemisphere suppliers. The situation today is entirely different and we hope the committee will take this into consideration in arriving at an equitable quota for Brazil which should be no less than any other granted to a major Latin American supplier.

In summary, Mr. Chairman, and members of this committee, we respectfully ask that Brazil's position be reexamined in the light of her qualifications to meet the criteria and objectives of the Sugar Act against the new background of Brazil today. Brazil has honored in the past, and will honor in the future, any basic quota and allocation granted to her.

I thank you for this opportunity to be heard.

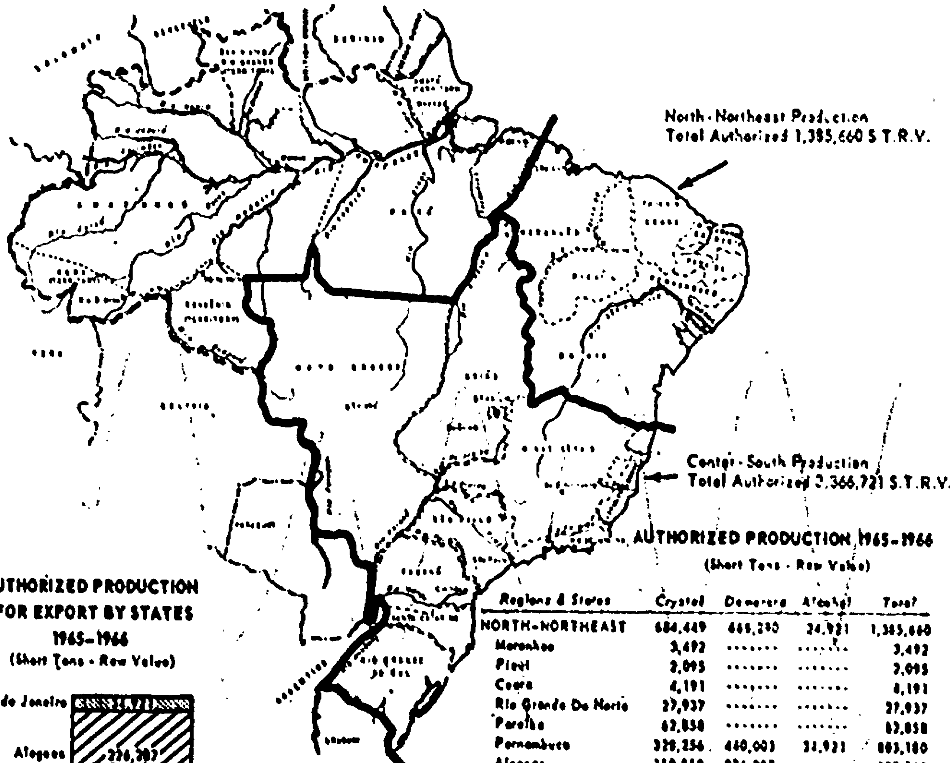
(The following charts and tables were submitted for the record by Mr. Nemir:)

LIST OF CHARTS AND TABLES

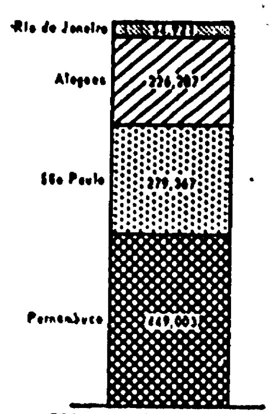
Chart 1

AUTHORIZED SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL 1965-1966

4,752,381 Short Tons, Raw Value



AUTHORIZED PRODUCTION FOR EXPORT BY STATES 1965–1966
(Short Tons - Raw Value)



AUTHORIZED PRODUCTION 1965–1966
(Short Tons - Raw Value)

Regions & States	Crystal	Demerara	Alcohol	Total
NORTH-NORTHEAST	684,449	666,290	34,921	1,385,660
Maranhao	3,492	....	....	3,492
Piaui	2,095	....	....	2,095
Ceara	4,191	....	....	4,191
Rio Grande Do Norte	27,937	....	....	27,937
Paraiba	62,858	....	....	62,858
Pernambuco	328,256	440,003	34,921	803,180
Alagoas	150,858	226,287	....	377,145
Sergipe	55,873	....	....	55,873
Bahia	48,889	....	....	48,889
CENTER SOUTH	2,895,289	314,288	157,144	3,366,721
Minas Gerais	146,668	....	....	146,668
Espírito Santo	17,460	....	....	17,460
Rio de Janeiro	306,353	34,921	17,460	358,734
São Paulo	2,025,410	279,367	139,684	2,444,461
Paraná	187,620	....	....	187,620
Santa Catarina	20,953	....	....	20,953
Rio Grande do Sul	2,095	....	....	2,095
Mato Grosso	1,746	....	....	1,746
Goias	6,984	....	....	6,984
TOTAL BRAZIL	3,579,738	980,578	192,065	4,752,381

To express the figures in raw value, the factor 105.6 was used for production, 1[illegible]5 was used for direct consumption and 102 for export sugars.

The factor .0698417280 was used for changing 60 kilogram sacks to short tons in "production weight"

Chart 2

SUGAR—Comparison of Production, Consumption, Exports and Stocks in Brazil, 1960-1965

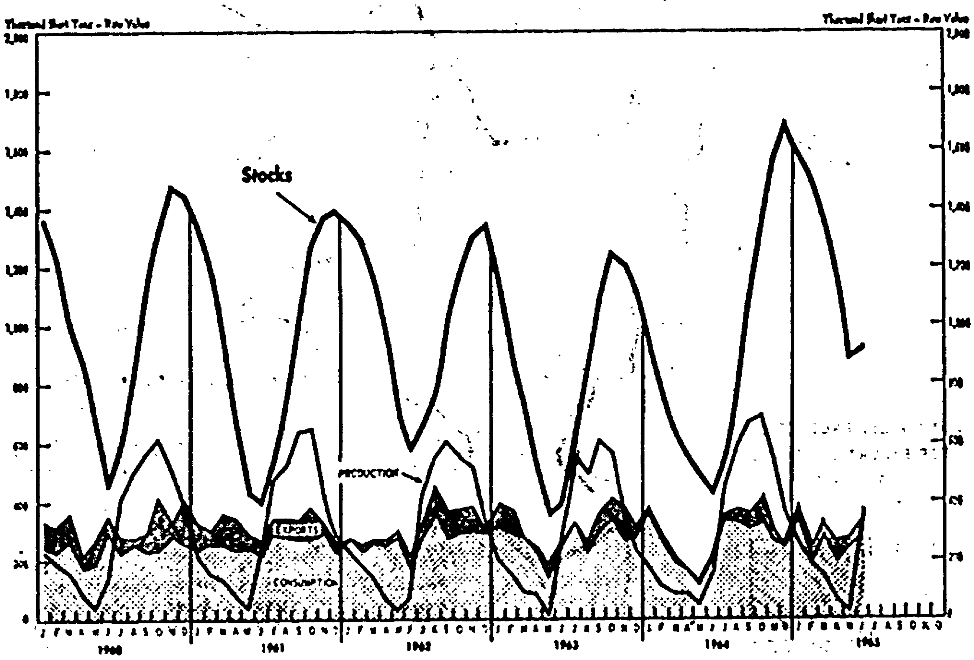


Chart 3

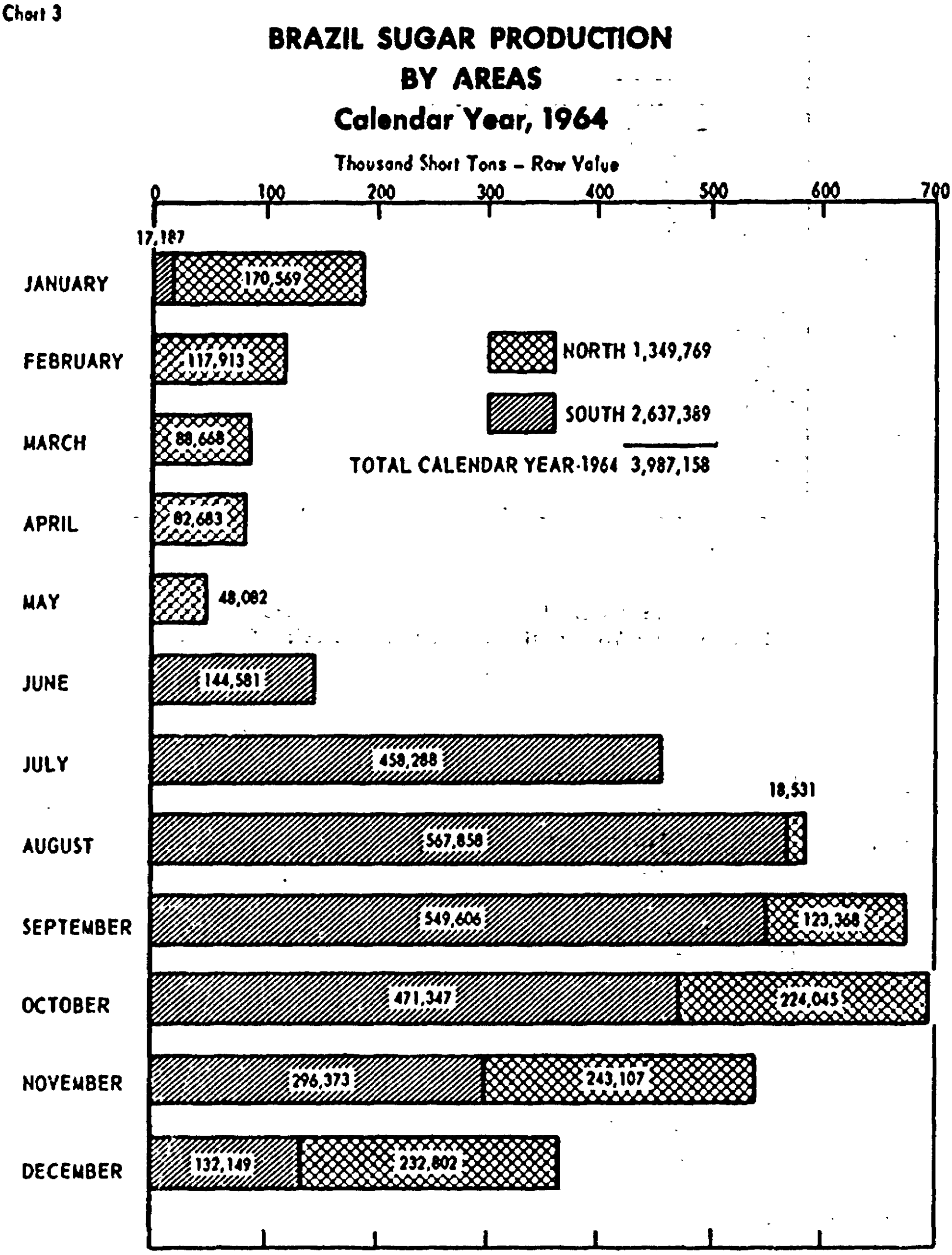
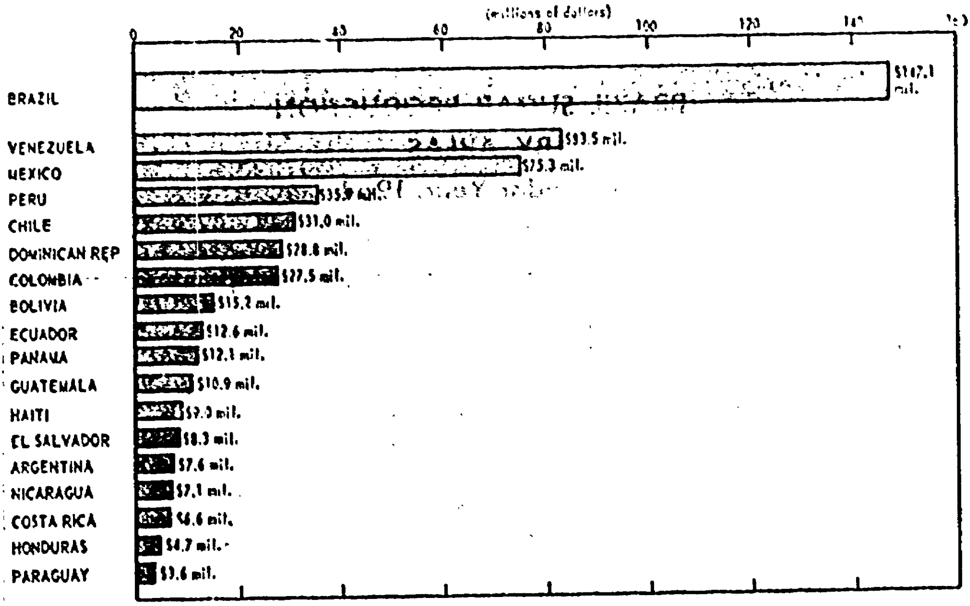

BRAZIL SUGAR PRODUCTION
BY AREAS
Calendar Year, 1964
Thousand Short Tons – Raw Value
0
100
200
300
400
500
600
700
JANUARY
17,187
170,569
FEBRUARY
117,913
MARCH
88,668
APRIL
82,683
MAY
48,082
JUNE
144,581
JULY
458,288
AUGUST
567,858
18,531
SEPTEMBER
549,606
123,368
OCTOBER
471,347
224,045
NOVEMBER
296,373
243,107
DECEMBER
132,149
232,802
NORTH 1,349,769
SOUTH 2,637,389
TOTAL CALENDAR YEAR-1964 3,987,158

Chart 4

Brazil was the Largest Importer of United States Agricultural Commodities in Latin America—in 1964

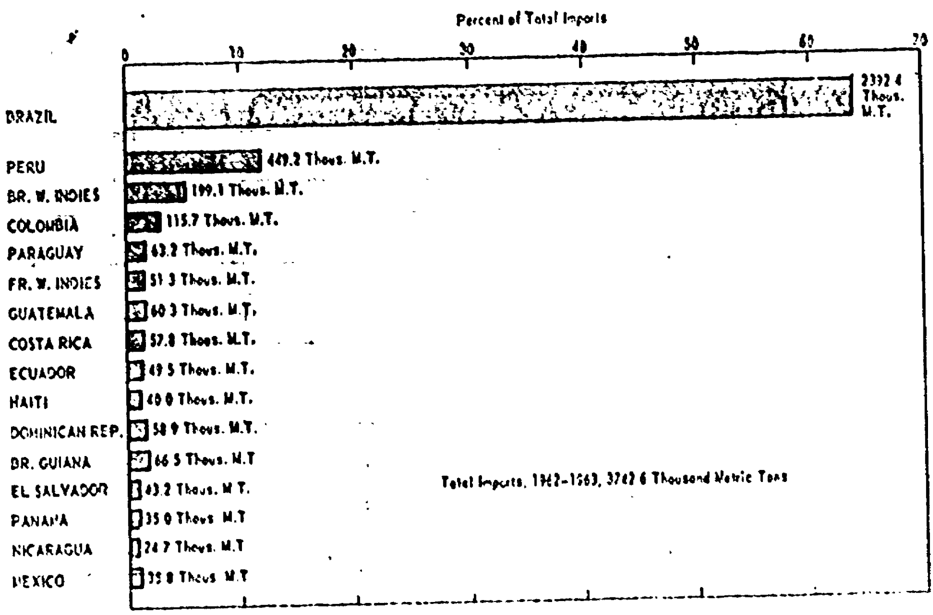


SOURCE: Foreign Trade Statistical Section, U.S.D.A. from unpublished material.

Chart 5

Brazil Alone Imports More Wheat Than the Balance of the Western Hemisphere Countries Below Combined

IMPORTS OF WHEAT FROM ALL COUNTRIES*



*Including Flour

SOURCE: World Grain Trade. Foreign Agricultural Service, U.S. Department of Agriculture - FAS - M-53, Rev. May 1965

TABLE I.—*Brazil—Authorized periods for production for export, 1965-66*

State and period	Short tons, raw value
São Paulo: June–August	270,307
Rió do Janiero:	
September	13,968
October	13,968
November	6,085
Total	34,021
Pernambuco:	
September	69,842
October	139,683
November	90,794
December	69,842
January	69,842
Total	440,003
Alagoas:	
September	41,905
October	48,889
November	55,874
December	48,889
January	30,780
Total	226,287
Grand total	980,578

NOTE.—To express the figures in raw value the factor 105.6 was used for production; 106 was used for direct consumption; and 102 for export sugar.
The factor 0.0698417280 was used for changing 60 kilogram sacks to short tons in "production weight."
Source: Brazilian Sugar & Alcohol Institute.

TABLE II.—*Brazil's sugar exports by area destination, 1957-64*

[Thousand short tons, raw value]

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania	65.8	333.3	231.0	438.5	329.6	69.7	23.5	....
Europe	252.7	308.1	266.9	213.8	46.3	....	31.8	64.2
South America	57.1	143.9	105.8	157.0	76.6	49.3	22.3	28.8
Africa	84.2	87.0	65.6	35.5	55.3	....	....	23.3
United States	....	....	11.8	116.3	329.7	406.5	469.6	182.3
Others	....	....	.1	....	....	12.6	....	....
Total	459.8	872.3	681.2	961.1	837.5	538.1	547.2	298.6

PERCENTAGE DISTRIBUTION OF BRAZIL'S SUGAR EXPORTS BY DESTINATION, 1957-64

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania	14.3	38.2	33.9	45.6	39.4	13.0	4.3	....
Europe	55.0	35.3	39.2	22.3	5.5	....	5.8	21.5
South America	12.4	16.5	15.5	16.3	9.1	9.2	4.1	9.6
Africa	18.3	10.0	9.6	3.7	6.6	....	....	7.8
United States	....	....	1.7	12.1	39.4	75.5	85.8	61.1
Others	....	....	.1	....	....	2.3	....	....
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Quandro VI from recent Brazilian report.

NOTE.—To express the figures in "raw value" the factor 105.6 was used for total production; the factor 106 was used for direct consumption; and 102 for export sugars.

$$\text{e.g. } 90 \times 106 = 9{,}540$$
$$10 \times 102 = 1{,}020$$
$$\overline{105.60}$$

Source: Brazilian Sugar and Alcohol Institute.

TABLE III.—*Entries and marketings of sugar in continental United States from all areas, 1900 to date*

[In thousands of short tons, raw value]

Year [1]	Total	Continental United States [2]		Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba [3]	Other foreign countries
		Beet	Mainland cane						
1900	2,418	92	312	252	36	(1)	25	353	1,843
1901	2,963	198	364	345	69	(1)	2	500	1,435
1902	2,574	233	378	360	92	(1)	6	492	1,018
1903	3,143	258	278	387	113	(1)	9	1,198	900
1904	3,023	259	415	368	130	(1)	31	1,410	410
1905	3,118	335	390	416	136	(1)	39	1,029	773
1906	3,359	518	273	378	205	(1)	35	1,391	564
1907	3,701	496	394	411	204	(1)	18	1,618	565
1908	3,331	456	415	539	235	(1)	19	1,155	512
1909	3,370	548	332	511	244	(1)	42	1,431	622
1910	3,789	546	355	555	265	(1)	88	1,755	205
1911	3,801	642	361	506	323	(1)	115	1,674	180
1912	3,927	742	163	603	367	(1)	218	1,593	241
1913	4,382	784	301	543	383	(1)	102	2,156	113
1914	4,431	773	247	557	321	(1)	58	2,463	12
1915	4,718	935	189	640	294	(1)	163	2,392	155
1916	5,000	878	311	569	425	(1)	109	2,575	133
1917	4,808	819	246	581	489	6	134	2,835	198
1918	4,430	814	285	540	336	4	87	2,280	84
1919	5,352	777	122	579	364	10	83	3,843	69
1920	6,337	1,165	176	550	413	13	146	2,881	993
1921	5,412	1,091	327	541	469	6	165	2,590	223
1922	6,807	722	296	568	360	6	275	4,527	53
1923	5,831	943	172	519	342	2	238	3,426	189
1924	6,463	1,166	90	677	393	2	339	3,692	104
1925	6,934	977	142	755	600	11	493	3,923	33
1926	7,024	960	48	747	559	6	380	4,280	44
1927	6,809	1,170	72	777	574	6	531	3,650	29
1928	6,691	1,135	136	878	674	11	575	3,249	33
1929	7,587	1,069	218	882	507	3	711	4,149	28
1930	6,683	1,293	215	868	809	6	794	2,645	53
1931	6,727	1,343	206	998	796	2	872	2,482	28
1932	6,303	1,319	160	1,048	940	5	1,028	1,791	12
1933	6,331	1,366	315	990	793	5	1,249	1,573	40
1934	6,574	1,562	263	948	807	5	1,068	1,866	30
1935	6,277	1,478	319	927	793	2	917	1,839	11
1936	6,833	1,364	409	1,033	907	4	985	2,102	29
1937	6,860	1,245	491	985	896	8	991	2,155	89
1938	6,619	1,448	449	906	815	4	981	1,941	75
1939	7,466	1,809	587	966	1,126	6	960	1,930	62
1940	6,443	1,550	406	941	798	0	981	1,750	17
1941	8,009	1,952	411	903	993	5	855	2,700	190
1942	5,555	1,703	407	751	836	0	23	1,796	39
1943	6,466	1,524	460	866	642	3	0	2,857	114
1944	6,942	1,155	515	802	743	3	0	3,618	106
1945	5,997	1,048	417	740	903	4	0	2,803	87
1946	5,657	1,379	445	633	867	5	0	2,292	46
1947	7,759	1,574	383	842	969	3	0	3,943	45
1948	7,094	1,656	456	714	1,013	4	252	2,927	62
1949	7,588	1,487	557	769	1,091	4	525	3,103	52
1950	8,279	1,749	522	1,145	1,053	11	474	3,264	61
1951	7,758	1,730	457	941	959	6	706	2,946	13
1952	7,991	1,560	579	972	983	6	860	2,980	51
1953	8,282	1,749	518	1,087	1,118	12	932	2,760	111
1954	8,240	1,802	501	1,040	1,092	10	974	2,718	113
1955	8,396	1,797	500	1,052	1,060	10	977	2,862	118
1956	8,992	1,955	601	1,091	1,135	13	982	3,089	126
1957	8,916	2,066	636	1,037	912	15	906	3,127	217
1958	9,076	2,240	680	630	823	6	980	3,438	279
1959	9,240	2,241	578	977	958	12	980	3,215	279
1960	9,522	2,165	619	845	896	7	1,165	2,390	1,445
1961	9,731	2,607	784	1,045	980	16	1,355	0	2,944
1962	9,797	2,415	787	1,084	901	11	1,256	0	3,340
1963	10,515	2,965	1,072	1,033	875	15	1,193	0	3,360
1964	9,109	2,699	905	1,110	793	16	1,217	0	2,369

[1] Data on fiscal year basis, 1900–18; calendar year basis, 1919 to date.
[2] Crop year production, 1900–30—marketings for this period not available.
[3] Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; and 1947, 230,000 tons.

TABLE IV.—*Cost of production for raw sugar*

[In cruzeiros per 60 gross kilos]

	1963-64	1964-65
	Cr$	Cr$
Raw material (sugarcane)	1,987	3,935
Industrial production:		
Direct hand labor	203	347
Cost of fabrication	831	1,125
Various charges	40	84
Subtotal	3,061	5,491
Less value of residual molasses	125	286
Average cost of production	2,936	5,205
Cost of administration	91	147
Subtotal	3,027	5,352
Financing cost (interest)	164	354
Total cost of industrial production	3,191	5,706
Industrial profit margin	221	396
Average liquidating price	3,412	6,102
Tax cost	330	610
Price at source of production	3,742	6,712

NOTE.—1963-64: Cr$3,742=US$6.48 (US$=Cr$577.66). Price at source of production per pound-weight: US$0.0491.
1964-65: Cr$6,712=US$5.19 (US$=Cr$1,293.48). Price at source of production per pound-weight: US$0.0393.
Expenses to put in f.o.b. stowed condition, US$0.009 to US$0.015.

Senator LONG. Our next witness is Miss Dina Dellale, who is appearing in behalf of the Sugar Industries of Central America.

STATEMENT OF MISS DELLALE, REPRESENTING THE SUGAR INDUSTRIES OF CENTRAL AMERICA

Miss DELLALE. Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the Sugar Industries of Central America. The five countries of Central America are Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

Though small by the standards of the United States these nations, on the isthmus that links North and South America, have joined together to improve their economic well-being. This is the fifth year that the Central American Common Market has operated and each of its member countries has benefited from the association. The area is now one of the fastest growing of all the developing countries in the world, and its progress in this short period of time has been something of a surprise—a very pleasant one. A close look at these achievements will, perhaps, broaden the understanding of why we are before this committee.

The five Republics consist of some 13 million people, who in the past faced an uncertain economic future. Agriculture, the backbone of their economy, was subject to downward spirals of commodity prices. Each alone was not prepared to cope with their worsening economic conditions nor with that hot wind of desire which is fanning the slum streets and rural villages into rising expectations of a better life, no matter the circumstances of birth. Faced with such stern realities, these five small countries, logically and naturally, united in one large economic unit and its progress before the entire world became a testing ground.

What does this common market movement in Central America consist of? It goes far beyond tariff cutting and lip service. The countries are tackling joint and mutual problems and establishing regional institutions for finance, research, education, labor, trade, and investment. Harvard Business School sessions are held in Nicaragua to train executives; a monetary council operates from Honduras promoting a unified currency, using a peso on a par with the U.S. dollar; a uniform code of tax incentives for investment has been adopted, and all now have direct taxes on individual and corporate incomes. Factories are springing up across the whole area and their impact on the status of the underprivileged has brought a quickening of the lifting of living standards. A middle class is developing who are ever mindful of what progress will bring—more and better things at lower costs.

This bustling panorama is laid before you for the understanding of what hope means to these people who have a past history of broken dreams. For while good attempts are being made to develop new fields of industrial and agricultural activity, of eliminating practices which hinder efficiency, of using capital progressively, and of training a rapidly expanding population with the skills needed for future development, it must still be borne in mind that the Central American area is a developing region. For the time being, and for the foreseeable future, its primary resource will remain the land. Agriculture will produce the funds to buy machinery and equipment. Like all small areas aspiring to higher standards of living, these Republics are dependent on trade. One of the principal reasons industry has never developed is that no one Central American nation was big enough to provide the necessary market. Today, the market is significant. President Johnson recently, on July 29, made an unusual personal appearance to sign a loan for the Central American Bank for Economic Integration. His remarks in praise of Central America are significant, and I quote him:

> Yes, great progress has been made in central America * * * The central American Republics are providing all their neighbors and all the world what I would think is a very stirring example of what can be accomplished by free men with vision, and with wisdom, and with courage.

The framework of the future Central America has been firmly put in place and results so far have been most impressive, but this year and next, and the year after, and some years more, Central America needs every dollar agricultural exports bring to buy manufactured goods in the United States.

One of the best ways to judge this region's progress is to look at those responsible. Many groups have roles to play if development is to proceed successfully, but the growth capacities in Central America are mostly in the hands of private individuals and private enterprises. Businessmen are earning the future by being good citizens in the search to solve social problems, improve the skills of workers with on-the-job training, and at the same time not forgetting that the object of economic growth is to improve the lot of the masses of people. They know that when the economic and social system is fair, stable, and works in the interest of the majority, business will thrive. Nowhere can you find a better example of this than exists in the sugar industries in each of the five countries of Central America. Sugar is a private enterprise for them all, from the planting and harvesting of cane on a small parcel of self-owned land, through its milling, until it reaches the final destination of the marketplace. Revenue from this source does not constitute the patrimony of a few. The vicious population explosion on the isthmus has accelerated the part that the sugar industries must play to solve the problems of such conditions if wages are not to sink to subhuman standards.

The mills buy more than 55 percent of the cane they grind from small planters, and commitments with them are made 1 year in advance which constitute a guaranteed minimum price for that year plus a share in whatever other profits are received. There is no inequity of vested interests here, rather sugar is vital for the welfare of the people of Central America. Consequently, anxiety is general from the millowner to the hundreds of thousands of cane planters and their dependents, over the outcome of sugar legislation in the United States. The employment of the large number of sugar workers, over 375,000, their dependents included, with stable and reasonable wages, cannot be attained without an assured and permanent place in the U.S. market—this place not to retreat from—the one we earned by performance when the world price was high and other foreign supply sources of the United States were looking elsewhere to their immediate profits.

Following the path of the unity of their area, at the invitation of Costa Rica, the sugar associations of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica met together as strangers in 1962 and formed a working friendship to face their problems both internally and externally. An organization was formed called the Latin American Sugar Council, consisting of these Central American countries, and it was agreed that the five should unify their actions and aims, all helping the other with exchanges of ideas, working improvements, and general information. This unity was all the more impressive as each constituted a private enterprise, not maintained with a Government subsidy, but rather contributing in taxes and employment to the country. All have cooperated with their Governments by paying a levy on sugar to provide social benefits for the worker. Further still, individually the millowners of each of the countries have provided better housing, medical service, pensions, schools, community centers, playgrounds and playing fields, assuring the filtering down of any benefits that resulted as participants in the U.S. sugar program. Both Government and private enterprise know well that the real national income and growth depend on the terms of trade—the relation between the prices received for exports and prices it must pay for imports.

U.S. relations with Central America have been characterized at times with forgetfulness, alternating with short periods of concentrated heedfulness. There is a predisposition to take them for granted, believing that this friendship requires no special attention. But true friendship involves more than the clasp of extended hands across the border. Printed or uttered words do not, in themselves, bring good will and understanding. Actions are necessary.

Central America lives in dread of communism and is the principal target of that peculiar brand preached by Fidel Castro, of Cuba.

Small as these countries are, and poor as they are, they are working against Castro, literally day and night. Speaking together in unison, they command increasing attention in world councils and contribute vitally to the moral forces that the United States is mustering to maintain peace and security. Their growing stature is a significant factor as allies. Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica are of major strategic, political, and economic importance to the United States. Communism works constantly and incessantly on the premise that it is not difficult to lure millions who have nothing to lose. Sunshine cannot fill an empty stomach. So in friendship, and with the mutual respect that is especially important in relations between large and small countries, Central America, youthful, growing, idealistic, producer of products you consume, purchaser of much you produce, friend and ally in times of peace and war; stanch supporter of your political viewpoints in the United Nations and the Organization of American States, with five solid votes each and every time a decision comes up, those votes given in expression of their democratic beliefs, and most times the deciding factor in close emergency decisions, this Central America comes before the committee believing in your genuine understanding of its problems and hopes, and that visible evidence will result of that understanding.

Sugar is the third largest industry of the area. There are 77 mills located throughout the 5 countries participating in the Common Market with a total output of 550,000 tons a year. As a little more than half of this amount is consumed domestically, there remains 250,000 tons that must be exported. All that is exported has come to the United States. This does not mean that Central America does so only when the U.S. price is higher than elsewhere—the Sugar Act to them is a two-way street. During 1963 and 1964, when prices soared in the world market, these small nations, at tremendous financial sacrifice, put aside shortsighted profits to fulfill their obligations and much more in this program. No "friendly" persuasion was necessary, and long before a voice was heard from those who could better afford the loss of profits when the world price was still soaring, Costa Rica, on December 12, 1963, was the first of all quota countries to speak up pledging her entire surplus sugar, of approximately 72,000 tons, to the U.S. consumer at an immediate loss of about $3 million, which represents more profit than the entire Costa Rican sugar industry generates over the course of 2 normal years. There followed quickly the same cooperative response from the other Central American countries. This is friendship.

In the time since Cuba's sugar no longer had access to the U.S. market, the isthmus Republics have filled a substantial amount of that void without any long-term guarantees. In the past 5 years, they have built up an historical performance. In adjusting the quotas of these countries, Central America asks that this record be considered, together with its willingness and ability to perform under all circumstances. The commercial trade balance with the United States of each of these Republics is so unfavorable to them in their efforts to push quickly and eagerly toward their goal, that uncertainty is now appearing about the future. The combined trade deficit with the United States is approximately $81 million. In 1964 U.S. exports to Central America totaled over $315 million. They are among your largest customers per capita. They want to continue to buy from the United States, but they want to pay for what they purchase with money that is earned, not borrowed. They do not wish to turn elsewhere because of lack of dollars.

With the foreign portion of the Sugar Act not in effect this year, the sugar industries of the Central American countries began, on their own initiative, a long-term program of putting stocks in reserve. These stocks will be continued each year with totals that always fulfill any one of the quotas assigned to them by the United States. The purpose of this voluntary action is to assure at all times a stable source of supply even if there should be some unforeseen catastrophe by nature in any one of the countries. In other words, the full amount of the quotas from the five countries of Central America would always be guaranteed to the United States. The insurance is the stock reserve, obligatory to all five. May I emphasize that to carry such stocks is rather expensive and those charges have been considered when this program was initiated.

Before placing the individual requests of these countries before the committee, Central America asks that the committee include in the bill before you a provision (with specific reference to the countries of Central America as participants in the U.S. Sugar Act in accordance with all the existing terms and conditions), containing the following requirements: Whenever there is established a shortfall in the quota of any of the five countries of the Central American area joined together in the Central American Common Market, the resulting deficit quota shall be allocated among the other member countries of this group in proportion to their existing U.S. quotas.

Mr. Chairman, with firm belief that you and the members of this committee will not forget those who delivered sugar to the United States when it was most needed, and with all due reverence for computers, may we ask that consideration be given to the following requests which are illustrated by the attached map:

The Republic of Honduras, with no quota, unlike British Honduras, which is already a quota country, is climbing rapidly into the age of modern industry and agriculture, and has been in the past a net importer of sugar. Feeling rather like Cinderella after her sisters had gone to the ball, Honduras now finds herself self-sufficient and with a small sugar surplus but—alas—no quota to bring it into the U.S. market. She is a full and active member of the Central American Sugar Council. A quota of only 5,000 tons in the U.S. Sugar Act will allow Honduras to take a place with her companion countries of the Central American Common Market. Honduras is mentioned separately because of her exclusion from the act. The requests for her neighbors are as follows:

	Tons
Guatemala	60,000
El Salvador	55,000
Nicaragua	65,000
Costa Rica	65,000

Performance and financial loss have been stressed in this statement. Both factors were considerable, with their pledges to the United States in December 1963, after the Secretary of Agriculture made his consumption requirements official for the year 1964. It was then that 1 million tons of global quota was authorized for purchase and entry. By December 24, 1963, only 745,000 tons had been subscribed with Costa Rica's share, 35,000 tons, representing almost 5 percent of the total commitment. It was not until January 21, 1964, that the Department of Agriculture was able to announce that the full million ton quota had been filled. In addition, the Western Hemisphere deficit reallocation of 98,277 tons authorized on December 18, and by January 31, 1964, had only 74,850 tons pledged of which Costa Rica had 12,000 tons or approximately 16 percent, and Guatemala pledged 5,000 tons representing 6 percent of the total subscription. These pledges were not hollow offers, as the regulations were such to necessitate the immediate deposit of guarantee funds in a designated U.S. bank.

I attach as part of this statement a letter from the Department of Agriculture dated November 4, 1964, relating to the force majeure in Costa Rica due to the 2-year activity of the volcano, Irazu.

Economic development is a difficult process and miracles are not produced overnight. Each of these five countries is doing all that is possible to help itself, and that is a tremendous accomplishment. Without trade, the future prospect is bleak. If one Central American country goes Castroite, all this hope and progress will come to a halt.

Mr. Chairman, the United States and Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica share a continent together. The friendship that now exists is strong, and as cooperation continues to grow, perhaps the reasons for hope will outweigh those for pessimism. Then it can be said with much truth, "In union there is strength."

I thank the committee for their attention.

(The following was filed for the record by Miss Dellale:)

CENTRAL AMERICA

Area Population... 13 million

TOTAL AREA SUGAR QUOTA REQUEST... 250,000 TONS

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Washington, D.C., November 4, 1964.

HOGAN & Co.,
New York, N.Y.

GENTLEMEN: This refers to your set-aside agreements Nos. 17-045-X and 17-046-X, approved by this office January 7, 1964, for the importation of 35,000 tons of sugar from Costa Rica.

On the basis of evidence you submitted, a finding has been made by the Administrator of the Agricultural Stabilization and Conservation Service that you were prevented from fulfilling the terms of the two agreements because of circumstances beyond your control and liquidated damages will not apply.

Accordingly, action has been taken to terminate the related letters of credit Nos. 345285 and 345286 with the Chase Manhattan Bank.

Sincerely yours,

EDWIN H. MATZEN,
Head, Sugar Quota Group,
Policy and Program Appraisal Division.

Senator LONG. Our next witness is Mr. Robert L. Farrington who is appearing in behalf of the Republic of China.

STATEMENT OF ROBERT L. FARRINGTON, REPRESENTING THE REPUBLIC OF CHINA

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 1155 15th Street NW., Washington, D.C. I am appearing in the interests of the Republic of China, a longstanding friend of the United States and for many years a dependable source of sugar supply for the United States.

China's basic quota under the 1962 amendment to the Sugar Act of 1948 was 38,114 short tons for the year 1963, plus a global quota allocation of 33,155 tons—a total of 71,269 short tons. For 1964, China was given a basic quota of 34,042 short tons, plus global quota allocations of 47,114 short tons, or a total of 81,156 short tons. For 1965 the proration to China stands at 69,819 short tons.

It is a point worthy of note in considering China's performance record that in 1963 and 1964 the world market price was generally always above the U.S. market price. China has, however, consistently fulfilled its basic quota and, when the United States needed sugar, has also supplied for allocations under the global quota plan.

The Republic is deeply grateful to the United States, and particularly to this committee, the State Department, and the Department of Agriculture for an important share in that portion of U.S. sugar needs obtained from foreign sources. We submit, however, as we did in our testimony in 1962, that China's longstanding record of performance in supplying sugar to the United States, and China's relative standing in world sugar production and export capability, justify increased allotments, percentagewise, in that part of U.S. sugar which it is necessary for the United States to obtain from foreign countries.

China hopes, also, that she will receive equal treatment with other sugar-producing countries when the United States needs additional sugar to fill any unexpected deficits in U.S. sugar supply.

When we were privileged to appear before this committee regarding the proposed amendments to the Sugar Act in 1962, we made the point, illustrated by a schedule, that in terms of sugar production and export capability China ranked much higher on the list than it did with regard to the portion of the foreign quota allocated to China. The same situation still prevails.

It is respectively urged that this information be taken into consideration by this committee in determining the basic quota provided for China in the legislation now under consideration.

It is further submitted that China's record of performance and her export capability justify a basic quota of at least 300,000 tons.

The specification in this proposed new law of a larger basic quota, more in line with China's actual production and export capability, would add stability both to the sugar industry in China and to the assurance of supply for the United States.

It is well known to this committee that the island of Taiwan is the principal area of agricultural and industrial production for the Republic of China at the present time. Taiwan has a land area of 13,835 square miles, a little over 2½ times the size of Connecticut. It has a population of 12,535,000 at the end of 1964—about 5 times that of Connecticut.

The agricultural population in 1963 was about 5,611,000, or almost one-half the total population. About two-thirds of the sugarcane farms are owned by the growers and the farms consist, on the average, of about 1.04 acres. The average farm family is about six to seven persons.

Notwithstanding much industrial development in Taiwan during the past 3 years, sugar remains the island's most important crop, and about 1¼ million people depend upon it for a livelihood. Exchange earnings from sugar exports amounted to around $135 million in 1964, or about 30 percent of the revenue from total exports. About 86 percent of the sugar is exported, mostly to the Middle East and Far East countries where Taiwan continues to be faced with constant economic warfare from the Communists, due in part to Cuban sugar production.

A larger volume of sugar purchases by the United States from China would also help in maintaining China's remarkable economic growth which has been particularly in evidence since 1959. For example, China's gross national product, in U.S. dollar equivalent, was 1.34 billion in 1959 and was estimated at 2.36 billion in 1964, an increase of more than 75 percent in 5 years.

When we appeared before this committee to testify on the proposed Sugar Act Amendments of 1962, we showed the trade balances between China and the United States for 1960 and the first 6 months of 1961. The situation in the 1961–64 period was as follows:

Imports from the United States	Exports to the United States	Balance in favor of the United States	Year
139,804,000	51,503,000	88,301,000	1961
141,342,000	58,594,000	82,748,000	1962
150,920,000	58,170,000	92,750,000	1963
146,090,000	84,019,000	62,071,000	1964

A breakdown of the major U.S. agricultural commodities involved, as shown by the U.S. Bureau of Census of 1961–63, and the Bank of Taiwan exchange settlements for 1964, is as follows:

U.S. exports of agricultural commodities to the Republic of China

Commodity group	1961	Unit: 1962	US$1,000 1963	1964
Cotton	26,112	30,643	26,529	21,855
Oilseeds (mostly soybeans)	14,047	9,317	14,026	18,601
Grains	16,225	17,584	28,250	17,485
Animal fat	2,377	2,394	3,482	6,471
Tobacco	2,439	3,090	2,630	2,121
Soybean oil	543	1,050	890	1,806
Dairy products	525	839	482	350

As of July 1, 1965, the United States discontinued economic aid to China. In order that the Republic of China may continue to be a good customer of the United States, it is only equitable that China be given the opportunity to earn more dollars through trade with the United States in order to offset the present unfavorable trade balance between the two nations.

Mr. Chairman, I appreciate the opportunity of presenting this statement.

Senator LONG. Thank you very much Mr. Farrington.

Our next witness is Mr. James M. Earnest, who appears in behalf of the Mauritius Chamber of Agriculture and the Mauritius Sugar Syndicate.

STATEMENT OF JAMES M. EARNEST, COUNSEL, MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE

Mr. EARNEST. Mr. Chairman and members of the committee, my name is James M. Earnest. I am a practicing attorney in the District of Columbia, having my offices in the Woodward Building. I represent the Mauritius Chamber of Agriculture and also the Mauritius Sugar Syndicate, a statutory agency authorized by the Government of Mauritius to control the marketing of sugar produced on that island. Both the people of Mauritius and the people of the United States have a very vital stake in the legislation here under consideration. I have a prepared statement, which is substantially the same statement which I submitted to the House Agriculture Committee. In view of the limited time allowed for oral presentation, I will ask leave of the committee to have this prepared statement, 50 copies of which have been filed with the clerk of the committee, printed in the record of this hearing.

Mauritius is a small sugar island in the southwest quarter of the Indian Ocean. Its total area is about 720 square miles, but its climate and soil are well suited to the cultivation of sugarcane, and over 45 percent of its area is planted with this crop.

Politically, Mauritius is a British crown colony, which enjoys a large measure of internal self-government. It is the administrative center for a number of smaller island dependencies of Britain anywhere from 200 to 1,200 miles to the east and northeast.

Strategically, Mauritius is located just 550 miles east of Madagascar and about 1,600 miles east of the African mainland. It is a vital link on the air and seat routes to the Far East and Australia. It has a good harbor which can accommodate up to 10 ships, and it has an airport which can accommodate jet aircraft. More important to the United States, however, is the fact that Mauritius is the location of one of the principal tracking stations for its manned satellites and the administrative center for islands in the Indian Ocean which may soon serve as joint United States-United Kingdom naval bases. Plans are also underway for setting up a joint United States-United Kingdom nuclear detecting station on Mauritius.

My prepared statement contains a detailed review of the economy of this island which has made, and continues to make, concerted efforts to break away from its almost total dependency upon sugar. I feel that I need not, in the economy of time, repeat here the material I have included in my prepared statement.

Nevertheless, I believe that it is important to emphasize that, notwithstanding the efforts it has made not only to develop other sources of income, but also to control the steady increase in its population, Mauritius is today almost wholly dependent upon sugar for its livelihood. Sugar accounts for 98 percent of its exports, and although it will export substantial quantities of sugar to the United Kingdom, it must still find other outlets for its sugar in order to support its increasing population. Of course, the United Kingdom, and even the Commonwealth countries, cannot take all of the Mauritius sugar production, to the detriment of other colonies and affiliated countries. This means that Mauritius seeks an outlet for approximately 62,000 short tons of sugar in 1965, increasing to approximately 280,000 short tons by 1969, according to our best estimates. This is sugar which Mauritius will need to sell, over and above its exports to the United Kingdom and Commonwealth markets, where there is little prospect of increase in the amounts that may be taken from Mauritius.

From the foregoing, the importance of the legislation under review to Maritius is readily apparent. It is hoped that under the U.S. sugar program, Mauritius will find a market for a substantial part of its sugar production. Such market outlet in the United States would enable Mauritius to increase its purchases from the United States, in particular, its purchases of agricultural commodities such as wheat and tobacco.

I should point out here, as an aside, that Mauritius has never received one dime in U.S. foreign aid. Its trade with the United States has been on a cash basis, and at no discount. The expansion of the Mauritius sugar outlet in the United States would thus advantage the U.S. economy considerably more than would a similar quota made available to a country receiving substantial foreign trade, whose purchases from the United States are thereby subsidized in large part by the U.S. taxpayers.

There is no question that the sugar quotas benefit the countries receiving them. This legislation has been called the "Sugar Pie" and various other terms have been used to decry the system of allocation. Nevertheless, the fact remains that world sugar production exceeds world sugar demand, and in practically every major sugar market, sugar is grown and marketed under strict controls. This country had the experience of an uncontrolled sugar market, and the result was that sugar prices either skyrocketed, or plunged to new lows. The odd part of all this was the fact that the price to the consumer never dropped as low as the prices to the producer, and a Department of Agriculture study made in 1962 showed that even during the depression, when the prices of most commodities fell markedly, retail sugar prices remained high in comparison with both the general price level and consumer income.

The program which was adopted to counteract the fluctuations of the sugar market is the program which has been since referred to as the "Sugar Pie," but it has operated to keep the retail price of sugar within the United States at a fair and reasonable level ever since its adoption in 1937.

The people of the United States have a vital stake in this legislation, which ought to insure them reasonably stable supplies of sugar at prices which are fair, and this has been one of the traditional objectives of our sugar legislation.

To the extent, then, that the allocation of a quota to Mauritius will accomplish this objective, the interests of the peoples of both countries in the proposed legislation would seem to merge.

But the issues here are beclouded by the hue and cry after the sugar lobbyists, of which I am perforce, one. It is a matter of record that Mauritius has paid me annual fees amounting to approximately $14,000 for a 2-year period. Only one reception was given by the London representative, at which he showed a film in the nature of a travelog. This was held last June, and he paid the whole bill.

In my employment, my associate and I have spent many hours researching sugar legislation and in following current developments and interpreting them for our client. We have spent many hours in conference with him in order to present, as lawyers (for we are not economists or publicists) the best case we know how to present for an allocation of an equitable quota to Mauritius. I say to you, Mr. Chairman, we have earned every penny of our fees, which are not contingent upon the quota to be received by Mauritius. While the Honorable Mr. Findley states that lobbyists serve no useful function, I think that there is no one else to study the facts and make a presentation of factors to be taken into consideration by the committees of Congress considering this legislation. This is particularly true for entities such as Mauritius which could not be diplomatically represented in such matters. As we have approached this matter in the same way as we would any legal matter in the office, and have developed what we hope is an effective presentation, we are primarily serving as advocates, which is an honorable profession.

I am aware that Senator Fulbright proposes to amend H.R. 11135 to vest in the executive branch of the Government the actual allocation of such quotas as may be prescribed under his proposal. I do not know if the Senator has a purpose of eliminating lobbyists from the sugar scene, but his amendment is contrary to the traditional control Congress has retained over this legislation for 27 years or more.

Nor do the recommendations made by the Department of Agriculture in H.R. 10496 give any assurance that such a step would be a wise step. For example, although 1963 and 1964 were altogether abnormal, these were the years which the Department selected as the bases upon which data allocations would be predicated. By double weighting 1964 over 1963, the Department practically excluded countries which had shipped sugar to the United States in 1963, but could not ship in the first half of 1964, owing to differences in the growing seasons. These and many other valid criticisms may be made in respect of the executive proposals, and it would seem to me that this program which over the years has become a vital part of our foreign policy should be subject to the review of Congress, and in particular, the committees which can study not only the recommendations of the executive branch, but the cases advocated by the representative employed by the countries needing and seeking quotas.

I have said before that the demographic problem of Mauritius is not, in and of itself, a justification for the allocation of a quota for Mauritius. But Mauritius has been producing sugar for over 300 years. Its production, as will be seen from my prepared statement, has steadily expanded, and Mauritius has demonstrated that, if relied upon to supply the U.S. market, the source will be a dependable one. The Government of Mauritius is a friendly and stable one. No one there has yet said, "Yankee, Go Home," and no one is likely to.

To demonstrate how unfairly the administration formula would affect the interests of Mauritius, let me point out that in response to the needs of the United States in the latter half of 1963 the island of Mauritius supplied 67,000 tons of sugar at a time when world market prices exceeded those in the United States. Then, late in 1963, the Department of Agriculture invited applications for global quota sugar in 1964. The Department indicated that it would give priority to supplies which could reach the United States during the first 7 months of 1964, but because Mauritius had shipped practically its entire uncommitted reserve at the end of 1963, it could not make a definitive commitment for the first 7 months of 1964.

Nevertheless, on January 14, 1964, Mauritius informed the Department of Agriculture that it would be prepared to apply for a set-aside to ship about 60,000 tons for delivery from mid-September onward, conditioned only upon the crops not being adversely affected by cyclone damage. For reasons stated by the Department in its reply, Mauritius' application was not entertained and the 1964 requirements were fully subscribed by January 27.

I am appending to my report copies of the Mauritius offer and the Department's reply.

If the committee were disposed to accept the formula proposed by the administration, then I submit that the offer of Mauritius to ship 60,000 tons in 1964 certainly should be taken into account and given the double weight which the Department has applied to actual shipments in that year. If this were done, the percentage proposed by the administration for Mauritius would be increased to 1.15 percent. This would mean that the quota for Mauritius could be in the area of 60,000 tons.

A substantial quota for Mauritius will not only be an aid to a developing territory, but also will be a stimulant for our own economy. Many of the dollars earned by Mauritius would be returned to the U.S. economy through Mauritius' increased purchases here.

In 1962, the House Agriculture Committee allotted to Mauritius a combined quota of 110,000 tons. But Mauritius received no such quota in that year, the allocation having been dropped from the Sugar Act Amendments of 1962 as they were finally approved. In 1963, when world market prices were substantially higher than United States prices, Mauritius shipped some 66,617 short tons of sugar to the United States under the global quota provisions of the act. In fact, Mauritius, of all the countries having no quota, was the largest supplier of sugar to the United States in that year. It had shipped 13,474 short tons of sugar to the United States under the same provision in 1962.

In 1965, the Secretary of Agriculture has administratively allocated a quota to Mauritius which, with the recent amendments he has made, amounts to about 16,000 short tons.

The formula adopted by the House in H.R. 11135 would allocate to Mauritius a quota of a little more than 14,000 short tons for the next 5 years. This proposal, I submit, does not do justice to Mauritius, having regard both to its status as the 10th largest world sugar supplier and its dependence upon sugar for its livelihood.

I recognize that, traditionally, the U.S. Government has, as indeed it should, given preference to the countries of the Western Hemisphere, and I do not propose that the United States should abandon this traditional policy. But I urge that the United States in the past has looked outside the Western Hemisphere for suppliers of sugar, and I submit that when it does, it should give very favorable consideration to Mauritius.

I believe that a fair quota for this sugar island now emerging into strategic importance in the Indian Ocean should be from 62,000 to 75,000 short tons per annum over the next 5 years. In my first submission to the House Agriculture Committee, I advocated a quota of 120,000 tons which would be consistent with both Mauritius' ability to supply, and the considerations which led to an allocation of 110,000 tons by the House in 1962. I realize, however, that such a demand may not be wholly realistic, and accordingly, I have revised my views.

I am grateful to the committee for this opportunity to make these representations to the committee. I thank you.

(The following letters and supplemental statement were submitted by Mr. Earnest:)

MAURITIUS CHAMBER OF AGRICULTURE,
OFFICE OF THE LONDON REPRESENTATIVE,
London, January 14, 1964.

TOM O. MURPHY, Esq.,
Director, Sugar Policy Staff,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. MURPHY: It may have come to your attention that Mauritius has not yet applied for a set-aside of global quota sugar for 1964 although we have already declared our intentions so to do. As you no doubt remember, we supplied about 60,000 tons of global quota sugar to the United States in 1963—although we were about the only sugar-producing country in the world, save Cuba, not to have been granted any share of the basic quota. It is still our intention to supply about the same quantity of sugar to the United States in 1964, and I thought I would drop you a line to let you know why we have so far made no move about it.

As you know, our next sugar crop starts in July, and we are hoping to produce another big crop; we are, unfortunately, still not through what is known in Mauritius as the cyclone season, which extends up to about April, and during which we can be visited by hurricanes, with the possibility that our crop estimate might be reduced—which God forbid. We felt it safer, therefore, not to commit ourselves for sugar which we might not be absolutely sure to supply, as we are left with virtually no uncommitted carryover from last year.

We would, of course, be prepared to apply now for a set-aside for up to about 60,000 tons for delivery from mid-September onward, conditional only upon no visitations by major hurricanes or other calamities. This condition would be waived immediately the cyclone season is over, at latest by the first of May next. I do not know whether the U.S. Department of Agriculture regulations would allow such a condition to be included in the set-aside application; if they did, we would be happy to go forward now with our applications.

I thought I would explain these circumstances to you, and reiterate our desire to supply sugar to your market this year, either against global quota or, even better, against an allocation of basic quota which, as you know, we are still very anxious to obtain; this would remove an anomaly which hurts us and which, I know, was not deliberately engineered by the U.S. authorities.

With kind regards,

Yours sincerely,

A. GUY SAUZIER.

JANUARY 17, 1964.

A. GUY SAUZIER, Esq.,
Mauritius Chamber of Agriculture,
London, England.

DEAR MR. SAUZIER: It was very pleasant to hear from you again. I also appreciate the information in your letter of January 14.

I wish I had a worthwhile suggestion to offer to you for coping with your dilemma. I recognize, however, that Mauritius is a small island and it either is not in the path of a cyclone or if in the path the sugarcane crop suffers substantial damage. This is the one most difficult situation facing an area or rather those people in an area such as yours who must estimate production and arrange for marketings. The only thought that does cross my mind, for what it may be worth, is the possibility that you might offer a smaller quantity—say half of the 60,000 tons—if you are sure of some export availability from the late crop and are not committed for other marketings.

In any event, I thank you for your courtesy in keeping me informed as to your situation.

With kind regards,

Sincerely yours,

______ ______,
Director, Sugar Policy Staff.

SUPPLEMENTAL STATEMENT OF JAMES M. EARNEST, COUNSEL FOR THE MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE, ON LEGISLATION TO AMEND THE SUGAR ACT OF 1948, AS AMENDED

Mr. Chairman and members of the committee, my name is James M. Earnest; I am a practicing attorney, and my offices are in the Woodward Building in this city. I represent the Mauritius Chamber of Agriculture, and the Mauritius Sugar Syndicate. The syndicate is a statutory organization which controls the marketing of sugar on the island of Mauritius and which, together with the people of Mauritius and the people of the United States, has a very vital stake in the legislative revision of the U.S. sugar program.

I. IDENTIFICATION OF MAURITIUS

Geography

Mauritius is a pear-shaped island of volcanic origin in the Indian Ocean, lying about 550 miles east of Madagascar and about 1,600 miles east of the African mainland. The island has several low mountain ranges and numerous rivers and streams. The land rises gradually from the coast to form an inland plateau. The dimensions of the island are approximately 38 miles in length (roughly north-south) and 29 miles in width; its area is about 720 square miles, which is slightly more than 10 times the area of the District of Columbia and a little more than one-half the area of Rhode Island.

Lying far from any landmass, Mauritius has a moderate, maritime climate, tropical during the summer and subtropical during the winter. The mean annual temperature is 74° F. at sea level and 67° F. at 2,000 feet. The climate and soil of Mauritius are well suited to the cultivation of sugarcane and the island is a "sugar island" to an even greater extent than Barbados or any West Indian island. Over 45 percent of its total area is planted with sugar; and sugar represents 98 percent of the total value of its export trade.

More than 730,000 people, or somewhat more than 1,000 people per square mile, inhabit this island. Port Louis is the capital, and is the main town and port. Less than 20 miles inland, and on the plateau is Curepipe, the second largest town which is much used as a residential district owing to its cooler climate.

Mauritius is a vital link on the sea and air routes to the Far East and Australia. It has a good harbor which can easily accommodate 10 ships. Mauritius serves as an operational stop on the air route between Africa and Australia, and is the terminus of services operated by BOAC and Air France from Europe and Africa. Its airport now offers facilities for large jets.

Political

The Portuguese discovered Mauritius early in the 16th century. It was then uninhabited, though it was known to the Arabs and Malays, who had used the island for centuries for a shelter. The Dutch took possession of the island in

1598 and named it Mauritius after Prince Maurice of Nassau. The Dutch finally abandoned their attempt to settle the island in the early years of the 18th century. A more successful attempt at settlement was made by the French East India Co., which later surrendered its administration to the French Government. The French occupied the island, which they called Ile de France, for nearly a century and established the sugar industry there.

During the Napoleonic wars, Mauritius was the base for damaging raids on British ships on the Indian Ocean, and in 1810 the British organized an expedition which resulted in the capture of the island. Mauritius and its dependencies were ceded to Britain under the terms of the Treaty of Paris in 1814. The island was then renamed Mauritius by the British and has remained a British colony ever since.

Because of its geographical position and natural harbor, Mauritius, until the middle of the 19th century, was mainly regarded as an important military outpost. With the opening of the Suez Canal and the progressive elimination of sailing ships by steam power, the economy of the island became more dependent on its entrepot trade and its gradually developing sugar industry, which, by the end of the 19th century, was producing about 200,000 tons of sugar annually.

Politically, Mauritius is a crown colony of the United Kingdom, which enjoys a large measure of internal self-government. It has undergone a gradual constitutional evolution since 1948. The ministerial system was adopted in 1957 and universal adult sufferage was introduced in 1959. Under the order in council of 1964, the Government of Mauritius is vested in a Governor with a Council of Ministers and a legislative assembly. The legislative assembly is made up of 40 elected members and certain ex officio and appointed members.

The Council of Ministers is made up of the Premier, the Chief Secretary and not less than 10 or more than 13 members of the legislative assembly appointed by the Governor after consultation with the Premier.

Local government is vested in a municipal council (established in 1850 for Port Louis), four town councils, and several district village councils.

A number of small islands, from 200 to 1,200 miles to the east and northeast are dependencies of Mauritius. The most important of these, economically, is Rodriguez, lying 350 miles to the east with an area of 40 square miles and a population of some 18,000. Other Mauritius dependencies are coming into prominence as potential United States-United Kingdom military bases.

Although there is some movement toward independence and full autonomy there is very little likelihood that Mauritius will completely sever its political ties with the United Kingdom.

Economic importance

The Mauritius economy is exclusively agricultural. While there are some small industrial establishments catering primarily to local needs, there is no possibility of industrial development of Mauritius on any significant scale. More than one-half the island's food supply is imported from overseas, and this includes the staple food for most of the population, mainly rice. Though diversification of the economy is agreed to be desirable, sugar is likely to be the island's mainstay for many years to come.

The economy of Mauritius developed rather slowly during the first half of the 20th century, or until the end of World War II. After that time, and with the introduction of the negotiated-price quota for sugar exported to the United Kingdom, sugar production increased in 10 years from 300,000 tons annually to almost 600,000 tons, and it is expected that production in 1965 will be in excess of 700,000 tons. By 1970 Mauritius sugar production should exceed 850,000 tons annually.

Over 45 percent of the area of the island is now planted with sugar and a slow but steady expansion in sugar acreage has taken place in recent years. There are 23 large estates growing sugar, each with its own factory. There are also some 25,000 small growers with holdings ranging in size from over 100 acres to as little as one-quarter acre. The cane produced on the small holdings is sold to factories at prices fixed by the central control board appointed by the Government. Payment is made on the basis of 68 percent of the value to the grower and 32 percent to the factory. Additional increases in the production of sugar can probably be made in the small holdings where the yield per acre is about two-thirds that of the large estates.

Mauritius today is one of the 10 largest exporters of sugar and sugar industry byproducts. It is estimated by the Mauritius Chamber of Agriculture that in 1966 Mauritius will have available for export 750,000 tons of raw, cane sugar. By

1969 the tonnage available for export should be approximately 820,000 short tons of raw, cane sugar.

In its trade with the United States, Mauritius has traditionally procured more from the United States, in terms of shipped value, than it has sold to the United States. This pattern is not true for the year 1963 in which year Mauritius shipped a large quantity of sugar to the United States, but for most all other years for which we have reliable figures, Mauritius imports from the United States have far outreached her exports to the United States. This balance of trade between the United States and Mauritius has generally been more favorable for the United States than for Mauritius. According to the latest census data contained in the FT-420 series reports published by the Bureau of Census, Mauritius has purchased chiefly machinery and transport equipment, chemicals, and tobaccos from the United States. These are commodities which are not generally sold at world prices and Mauritius has paid full value for them.

Political and strategic importance

Mauritius is an island of democracy in the southwest Indian Ocean. Only 550 miles east of Madagascar and 1,600 miles away from the African East Coast, it stands as one of the more important beacons of political freedom achieved through orderly development. Should Mauritius achieve full and complete independence from the United Kingdom, the measured orderly pace of its development is certain to result in a continuing, stable, democratic government.

Lying astride important trade routes in the Indian Ocean, it is reclaiming a strategic importance which, as above noted, with the advent of the steamship and the Suez Canal, waned in the middle of the 19th century. Mauritius can play an important rôle in the development of United States-United Kingdom bases in the Indian Ocean. With an airport large enough to accommodate large jet transports, and lying athwart principal air routes serving Europe, Africa, and the Australian Continent, it becomes a vital link in the aerial navigation of this quarter of the globe. Moreover, and quite recently, Mauritius has served as a base for tracking stations in the Indian Ocean for our manned satellites. Plans are also underway for setting up a joint United States-United Kingdom nuclear detecting station.

II. MAURITIUS SUGAR TRADE WITH THE UNITED STATES

Mauritius sugar trade generally

Sugar, with its products (mainly molasses), constitute 98 percent of Mauritius exports in value. About 30,000 short tons of sugar are consumed locally, and the balance of Mauritius sugar production is available for its export trade.

In 1964, under the Commonwealth Sugar Agreement, Mauritius sold 368,500 long tons, raw value, of sugar to the United Kingdom at a negotiated sterling price which works out to roughly $115.66 per short ton, cost, insurance, and freight, United Kingdom, or the equivalent of $0.05733 per pound. The comparable U.S. price during the same period, according to Wall Street Journal, was $0.0620.

The difference between sugar sold by Mauritius to the United Kingdom under this agreement and the U.S. preferential price in 1964 was thus a shade less than a half a cent per pound. Deducting the United States duty of $0.00625, the United Kingdom price gave Mauritius a slightly higher return.

In 1965, according to an official of the Mauritius Chamber of Agriculture, Mauritius will sell 380,000 long tons, raw value, of sugar to the United Kingdom at a preferential price which is equivalent to $0.0582 per pound, free on board and stowed. The current U.S. price for raw sugar is $0.0670 per pound, but from this price there must be deducted duty of $0.00625, freight of $0.00595, and insurance, etc., of $0.00150. The net return on sugar sold to the United States under Mauritius present allocation is therefore expected to be $0.0533 per pound, free on board and stowed, which means that the net return to Mauritius per pound of sugar will be something less than a half cent more per pound for sugar sold to the United Kingdom under the Commonwealth Sugar Agreement, than will be the case for sugar sold to the United States under the 1965 quota.

In addition to the 380,000 long tons (420,000 short tons) which Mauritius will sell to the United Kingdom at a special price in 1965, it may export another 100,000 short tons to preferential markets at world prices plus duty preferences ranging from $10 to $15 per ton, making a total of approximately 521,000 short tons. Under the 1965 sugar quota for foreign countries, as determined by the Secretary of Agriculture, Mauritius has been allowed a U.S. quota of 15,430 short tons, raw value. This brings the total sugar which Mauritius will export to preferential markets in the year 1965 to approximately 536,430 short tons, raw value. Mauritius production for 1965 is expected to be 730,000 short tons; deducting sugar which may be exported under preferential trade agreements (including the quota allocation to the United States) and sugar required for domestic consumption, in 1965, Mauritius will have an exportable surplus of approximately 164,000 short tons, raw value.

For the period 1966 through 1969, it it estimated that Mauritius production of raw sugar will increase to approximately 850,000 tons per annum and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum. This increase in sugar production is vital to the economy of Mauritius, for only by increasing sugar production can Mauritius expect to maintain its present standard of living, let alone improve it. In the immediate prewar period (1936–40) the natural increase of Mauritius population was about one-half of 1 percent per annum. By 1948 it had come up to nearly 2 percent, and a decade later it had reached 3 percent, at which level it has remained ever since without showing the least tendency to drop. If this rate of increase continues unchanged, the population of Mauritius will increase from its present 730,000 to more than 1 million by 1980. While the Government has attempted various measures to diversify the economy of Mauritius and to establish new consumer industries, the country must still rely upon its agriculture and agricultural industries as the mainstay of its economy. Sugar is the one crop which, over many years, has proved its ability to meet the economic needs of its country. It is by no accident that sugar has come to occupy such a large place in the economy of Mauritius. Since the early days of French occupation many crops have been grown in an effort to diversify the economy of the island. None of them, however, has been able to compete with sugar in respect to (a) economic return, (b) resistance to cyclones and drought, (c) adaptability to climate and soil, in fact few of them have ever contributed more than marginally to the economy of the country, and sometimes for brief periods only.

It should not be assumed that this great dependence upon sugar is welcome in Mauritius. Despite the fact that little success has been made in the development of new agricultural crops, continuing efforts have been and are constantly being made to achieve some measure of crop diversification. Most successful has been the cultivation of tea with the result that in 1963 about 2 million pounds of tea were grown for export and plans have been made to develop three new processing plants during the period 1965–71 to handle increased production of tea.

The development of new industry, apart from small industries catering principally to local needs, is almost precluded by Mauritius peculiar geography. With no mineral resources, the development of any manufacturing industry for export trade would be hampered by the fact that all of the raw materials for any such industry would have to be imported. Moreover, no significant industrial development could be contemplated unless there were some expectation of a remunerated export market. But Mauritius could hardly expect to compete with the great island manufacturing countries of Britain and Japan, and the cost of importing raw materials and processing them for reexport would be prohibitive.

It follows from the foregoing, therefore, that willy-nilly Mauritius must rely upon an expansion of its sugar production and sugar export trade to support its swelling population.

In 1962, for the first time, Mauritius exported sugar to the United States. The quantity exported in that year was 18,474 short tons, raw value, and the value of the sugar exported was approximately $1,932,000 or roughly $0.0563 per pound after deducting duty, freight, and insurance. In 1963, Mauritius shipped approximately 66,617 short tons of sugar to the United States for a total value of roughly $10,038,000 or roughly $0.0613 per pound after deducting duty, freight, and insurance. Mauritius shipped no sugar to the United States in 1964.

Outside the Commonwealth and the United States, Mauritius since 1959 has exported sugar to Lebanon, Japan, Korea, and the Seychelles.

Mauritius trade with the United States

Mauritius must import most of its requirements of manufacturing and consumer goods and a large portion of its food requirements, including rice (which is the staple diet of the bulk of the population), flour, meat, and many other items. Generally foodstuffs have not figured importantly in the U.S. exports to Mauritius. In 1963, the value of the U.S. exports to Mauritius was approximately $2,026,667, foodstuffs accounted for only $47,943 of which rice was the most important item. Mauritius imported in that year over $161,000 worth of tobacco, and nearly $129,000 worth of chemical products. In the same year U.S. exports of machinery and transportation equipment to Mauritius were valued at $1,558,033.

In 1964, Mauritius imported from the United States foodstuffs valued at approximately $83,817, of which nearly one-half was rice. In the same year tobacco manufactures and unmanufactured tobacco accounted for $189,144; chemical products valued at $246,299, and machinery and transport equipment valued at $1,074,140 were imported from the United States. Miscellaneous manufactures accounted for $64,787. Total imports were $2,388,000.

In the years 1959–61 Mauritius imports from the United States have generally been approximately five times the value of Mauritius exports to the United States. In 1962 and 1963, this pattern was reversed by Mauritius exports of sugar to the United States but the statistics for 1964 reflects imports from the United States nearly double Mauritius exports to the United States. It will thus be seen that the relationship beween Mauritius and the United States has resulted in a favorable balance of trade for the United States and an unfavorable balance of trade for Mauritius.

In its trade with the United States, Mauritius has enjoyed no particular trade advantages. While the sugar it sold to the United States in 1962 and 1963 was sold at U.S. preferential prices, in 1963 sales were effected when the world price for sugar was substantially higher than the U.S. preferential prices. Mouritius has not benefited from any world or discount prices in its purchases from the United States. Here it should be noted that although Mauritius must import a substantial part of its food requirements, its food procurements in the United States are relatively insignificant. It is in this area that most countries trading with the United States have been able to obtain an advantageous price for commodities purchased from the United States.

Though unusually dependent on one single crop to sustain its economy, Mauritius has always managed to pay its own way, even though it has from time to time been compelled to seek financial assistance from Great Britain and the International Bank for Reconstruction and Development. It, therefore, has not in the past sought any preferential treatment in its trade relation with the United States.

Mauritius and the 1962 Sugar Act

Public Law 87–535, now known as the Sugar Act Amendments of 1962, became effective July 13, 1962. This act made no provisions for the allocation of any quota for Mauritius. Nevertheless the House Agricultural Committee had recommended, and the House of Representatives had approved, an allocation of 10,000 tons basic quota and 100,000 tons reallocation from the Cuban reserves. After extensive hearings in the Senate Finance Committee on H.R. 12154, the recommendations of the House were modified with the result that the quotas proposed to be adopted under H.R. 12154 were reduced for all foreign suppliers, and in addition, no quota allocation was made for Mauritius and Argentina.

Subsequently, provision was made to accommodate Argentina by means of an amendment to the Sugar Act which was made in the course of a debate on the "Honey Bee" bill (7 USCA 281) which gave the President authority to allocate up to 150,000 tons from the former Cuban reserves to any country within the Western Hemisphere, 7 USCA 1112(c)(4)(B). The result of this legislation left Mauritius as the only significant foreign supplier excluded from the provisions of the Sugar Act Amendments of 1962.

Notwithstanding that Mauritius was not allotted a quota under the revision of the Sugar Act, in an endeavor to demonstrate its good will and its ability to meet the requirements of the U.S. sugar market, Mauritius availed itself of a provision for a global quota to be allocated to foreign suppliers on a first-come, first-served basis, 7 USCA 1114(a). In the second half of 1962 pursuant to the provisions of the aforesaid section, Mauritius shipped 13,474 tons of global quota sugar to the United States and in the second half of 1963, 66,617 tons. At this time the world market price was considerably higher than the price then obtainable on the U.S. market.

Later in 1963 the Secretary of Agriculture invited applications for global quota sugar for 1964 in the amount of 1 million tons to meet an estimated requirement of 1½ million tons. In announcing this allocation the Secretary indicated that priority would be given to suppliers able to ship sugar to the United States during the first 7 months of the year. By reason of its shipment in the latter part of 1963, Mauritius at this time had no uncommitted sugar left over from its 1963 crop, and was unable to export any sugar to the United States for the first 7 months of 1964. Under these circumstances in the latter part of 1963 Mauritius was unable to apply for a sugar quota set-aside. Nevertheless, by letter dated January 14, 1964, the Mauritius Chamber of Agriculture apprised the Department of Agriculture of the fact that Mauritius would be able to supply about 60,000 short tons of sugar in the second half of 1964 and was willing to enter into a commitment to do so subject only to the condition that the 1964 crops were not damaged by a cyclone. The application was not entertained, and by January 27, 1964, the extra requirement was fully subscribed. Mauritius had no further opportunity to make a substantial shipment to the United States in that year.

Mauritius and 1965 sugar legislation

Congress once again has under consideration renewal and revision of the U.S. sugar program. This system, which is so vital to the stability and protection of domestic sugar prices, also operates to stabilize the sugar trade of a large portion of the free world. The effect of the quota allocations on the economies of the applicant countries is beyond any question a salutary one.

That the benefits conferred through the quota system are appreciated by them is readily apparent from the representations which are being made before this distinguished committee. There is no question that the distinguished gentlemen appearing before this committee are seeking economic aid for the countries which they represent. I do no less than they.

The relief most of us seek is an outlet for an exportable surplus of sugar which, if not sold to the United States at the prices established under the quota system, would either be left unsold or dumped on the so-called world market.

The world market is a deceptive term. In 1962 it was estimated that world sugar consumption amounted to about 57.5 million tons per year. Of this amount, about 40 million tons were said to be consumed in the areas where it is produced. And in most producing areas, because of the essentiality of the product, it is produced under some form of national control, bounty, or subsidy system as in the United States.

About 17.5 million tons of sugar were said to be consumed outside the areas where it is produced. Although sugar trade statistics reflect exports in excess of this amount, the trade statistics include substantial reexports from European refineries.

Of the 17.5 million tons which moved from the areas where it was produced to areas where it was consumed, about 8 million tons moved from French and Portuguese overseas areas to the mother countries, or were traded under the preferential terms of the Commonwealth Sugar Agreement and the U.S. sugar program. This left not quite 10 million tons for trading in the so-called world market. About half of that total, in 1962, was Cuban sugar exported to Communist bloc countries for barter at a negotiated nominal price.

The world free market, exclusive of Cuban sugar, was estimated in 1962 to be a 5-million-ton residual, representing chiefly sugar uncommitted to any program. In 1965, it is estimated that the Cuban sugar available for trade with bloc countries will be nearly 6 million tons, or 2 million tons more than was produced in the 1964 crop year. The residual, world free market will undoubtedly likewise be somewhat greater than it was in 1962, but its composition will be roughly the raw sugar produced in excess of the requirements of the major sugar programs.

The world free market is not a stable market. During the Suez and Hungarian crises of 1956 and 1957, the world market price nearly doubled in 60 days time, and over the whole period rose from a differential of $2.07 per 100 pounds below the U.S. price to a differential of $1.34 above the U.S. price. Similar fluctuations were noted in 1950 and 1951, and more recently, in 1963 and 1964, when it became apparent that world stocks were diminishing to an alarming degree. World buyers became excited; the world market began to advance spectacularly and because of the global features of the U.S. Sugar Act, the impact of the great advance in world market prices was felt in the U.S. market where prices also skyrocketed. In 1963 the U.S. average price for raw sugar was 8.19 cents per pound compared with an average price of 6.293 cents in 1961 and an average price of 6.452 cents per pound in 1962. In 1963, the world price of sugar advanced to nearly 3.5 cents per pound over U.S. prices, and for the year, averaged nearly 1.2 cents per pound in excess of U.S. prices. In the third quarter of that year both world and U.S. prices plunged precipitately, only to be followed by a resumption of the advance, and for the first half of 1964, world market prices again exceeded U.S. prices by more than 1 cent per pound. In the latter half of the year, world market prices again plunged downward, and by the first part of 1965, over 3½ cents per pound below U.S. prices.

If the U.S. foreign procurement, as determined and announced by the Secretary of Agriculture on February 15 last were added to the world free market, an additional 2.3 million tons would be subject to the fluctuations of this market. Currently, world market prices are substantially below the cost of producing and warehousing a pound of sugar in the areas of production. This is true because the world market represents the excess of production over programed requirements. Some people call it homeless sugar.

Without any significant realinement of markets, U.S. procurements in the world market would initially be at substantially lower levels than present U.S. prices. Realistically, however, (economic experts would predict that there would be a realinement of markets with the result that the combination of the nonbloc world market with the U.S. import market might result in price levels higher than the present world market price, yet still be subject to the fluctuations above noted.

The basic purposes of the U.S. sugar programs are said to be (1) make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States without the consumer penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring an adequate and stable supply of sugar.

The application of Mauritius for a statutory sugar quota fits in with these basic objectives of the U.S. sugar program. Mauritius has been producing sugar for three centuries, has developed a highly efficient sugar producing industry and today is one of the 10 largest world exporters of sugar. It is endowed with a friendly and stable government and has developed a supply of sugar which can reasonably be expected to be stable.

No country in the world depends upon sugar for its livelihood to the same degree as Mauritius. Sugar represents 98 percent of the total value of its export trade. With an ever increasing population, in order to maintain its standard of living, Mauritius must find outlets for increasing quantities of its principal crop.

But in Mauritius, as in most countries, the cost of producing and warehousing a pound of sugar is currently far in excess of the so-called world market price for sugar. To suggest that this outlet could be had by dumping its excess sugar on the world market, is no solution for the problems of Mauritius.

The mere fact that Mauritius has a demographic problem which can be solved only by increasing its outlets for sugar, does not, of course, justify the allocation of a quota. But Mauritius is one of the developing territories of the world which occupies a strategic position of some importance in the Indian Ocean. Some of its island dependencies will undoubtedly be joint United States-United Kingdom military bases. It is already one of the more important satellite tracking stations. It is one of the territories which therefore particularly deserves the assistance which the United States has pledged itself to give to developing territories. Taking the form of a sugar quota allotment, the assistance which the United States can render to Mauritius will not only benefit Mauritius, but being consistent with the basic objectives of the U.S. sugar program will be of assistance to the United States in stabilizing its sugar supplies and domestic sugar industry.

In further justification of an allotment to Mauritius, it should be pointed out that Mauritius has demonstrated its ability to ship sugar to the United States; that notwithstanding the fact that Mauritius was denied a quota in the 1962 sugar legislation (although it was at first proposed to make a quota available to Mauritius) Mauritius shipped considerable quantities of sugar to the United States in 1962 and 1963 at a time when world prices exceeded those it could and did obtain in the U.S. market. The single selling agency, the Mauritius Sugar Syndicate coordinates the sugar policy of the entire country so that sugar can be shipped as and when required. From the foregoing it is evident that Mauritius has the capacity to provide a continuing and stable supply of sugar for the United States.

The next question we get to is how much sugar should Mauritius be called upon to supply. When the Secretary of Agriculture made his administrative determination of the 1965 quota, he adopted a formula which gave single weight to imports in 1963 and double weight to exports in 1964. Although Mauritius had shipped comparatively large quantities of sugar to the United States in 1963, as I have explained before, Mauritius was unable to make a commitment for the first 7 months of 1964. Since the Secretary of Agriculture could not accept a conditional commitment, Mauritius had no opportunity to ship sugar to the United States in 1964. Had Mauritius withheld its shipment of nearly 67,000 tons in the last half of 1963 until early in 1964, obviously it would have been accorded a large quota for 1965. While I do not expect that this fact, in and of itself, will serve as a justification for allocating a larger quota to Mauritius, I do think it demonstrates that, in the case of Mauritius, predicating a quota exclusively on the basis of prior shipments would operate unfairly. If the quota allocation for Mauritius proposed in the original version of H.R. 12154 in 1962 had been sustained, the shipments which Mauritius would have been able to make in 1964 would clearly have resulted in the determination of a considerably more substantial quota allocation to Mauritius in 1965.

Although Mauritius shipped sugar to the United States for the first time only in 1962 it has nevertheless traded with the United States over a considerable period of time, procuring from the United States chemicals, tobacco, and machinery, and has a long history of friendly trade relations, notwithstanding that trade between the two countries has generally tended to favor the United States.

I submit that a quota allocation to Mauritius ought to be predicated upon the factors of the country's political stability, the stability of its supply and the capacity of Mauritius to produce. Mauritius is not a country about to be overrun by Communists and its political traditions are not of the same degree of volatility as are those of the countries of the Western Hemisphere. While Mauritius experiences a need to earn dollars to sustain and increase if possible its standard of living, the staid and orderly development of its political democracy augurs well for its long-term ability to satisfy in part U.S. requirements.

How much quota? It is estimated that Mauritius will have over and above sugar to be sold under its preferential arrangements, including its allocation under the Secretary of Agriculture's determination, and domestic consumption, an exportable surplus of approximately 164,000 short tons, raw value this year. For the period 1966 to 1969 it is estimated that Mauritius production of raw sugar will increase to 850,000 tons and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum which will give Mauritius an annual exportable surplus of some 280,000 short tons. There is virtually no likelihood that Mauritius quota under the Commonwealth Sugar Agreement will be increased, as the United Kingdom market is already fully committed. Mauritius will therefore have in addition to Commonwealth sugar commitments and in addition to its domestic consumption requirements an annual exportable surplus ranging from approximately 164,000 short tons in 1965 to approximately 280,000 short tons by 1969. Some of this of course will be diverted to the so-called world market, where it is expected that between 5 and 8 millions tons of "homeless sugar" will be found.

An annual U.S. quota of approximately 120,000 tons would be fair and reasonable. While there is no trade precedent for a quota of this magnitude, I think it fair to point out that in the proposed legislation for 1962 Mauritius was accorded a basic quota of 10,000 tons and a reallocation from the Cuban quota of 100,000 tons, or all together a quota of 110,000 tons. Since that time both production and consumption of sugar have been expanded and the suggested quota of 120,000 tons annually is commensurate both with Mauritius status as a world sugar exporter and a proposed allocation made by the House of Representatives in 1962. Such an allocation would result in an annual income to Mauritius at present prices of approximately $12,800,000 per year, which would be a tremendous boost for the economy of Mauritius. It would enable Mauritius to maintain and develop its trade relations with the United States and would facilitate the purchase of substantial quantities of wheat from the United States. One of the reasons Mauritius has not purchased significant quantities of U.S. wheat is the high freight cost. But if Mauritius exports sugar to the United States in the quantities proposed, it will be able to obtain substantial economies in the shipping rates for wheat on the return voyages. The allocation of a sugar quota of this size to Mauritius would not only further the basic objectives of the U.S. sugar program but would also offer the United States an additional outlet for its wheat production.

Senator LONG. Thank you very much Mr. Earnest.

The committee will meet at 9 o'clock tomorrow morning.

(Whereupon, at 5:45 p.m., the committee was recessed, to reconvene at 9 a.m., Friday, October 15, 1965.

SUGAR

FRIDAY, OCTOBER 15, 1965

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 9 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long presiding.

Present: Senators Long, Douglas, Talmadge, Williams, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

Senator LONG. The first witness today is Mr. John Bleke.

STATEMENT OF JOHN H. BLEKE, EXECUTIVE VICE PRESIDENT AND MANAGER, WAYNE CANDIES; MEMBER, NATIONAL CONFECTIONERS ASSOCIATION

Mr. BLEKE. Mr. Chairman, my name is John Bleke. I am executive vice president and manager of Wayne Candies, Fort Wayne, Ind., and I appear as a member of the Washington Committee of the National Confectioners Association, which is the national trade association of candy manufacturers and suppliers of goods and services to the industry. Our manufacturer members produce approximately 85 percent of the candy manufactured in the United States.

IMPORT QUOTAS ON CONFECTIONERY AND POSSIBLY OTHER SUGAR-CONTAINING PRODUCTS TO PREVENT A DEFEATING OF THE PURPOSES OF THE SUGAR ACT

Section 206 of the current Sugar Act authorizes under certain conditions the imposition of import quotas on sugar-containing products in order to prevent a defeating of the purposes of the Sugar Act. The language of this section of the current act is ambiguous, and we are pleased that improved language is now being recommended by the administration.

Imported confectionery and chocolate have been a serious problem for the candy industry for many years. Each year the quantity imported has increased. Imports of confectionery and sweetened chocolate in 1948 totaled 4,121,000 pounds, in 1952 were 17,384,000 pounds, in 1956 totaled 37,621,438 pounds, in 1960 imports had increased to 59,554,765 pounds and by 1962 had further increased to 76,438,522 pounds. In 1963 a further advance was registered to 92,852,000 pounds and for 1964 imports totaled 106,799,000 pounds. Any American industry should have no right to object to fair competition, but this does not represent fair competition. When the policy of our Government results in our having to now pay more than three times as much for sugar as it may be purchased by our foreign competitors when they are buying sugar for manufacture into confectionery for shipment into the United States, we contend that this represents unfair competition and a defeating of the purposes of the Sugar Act. Our foreign competitors may now acquire raw sugar at approximately 2 cents per pound. Our own domestic spot raw price now is 6.85 cents per pound. Fortunately, the spread is not always this great. To eliminate this unfair competition, we seek special import restrictions and this is to request the committee in the committee report to let it be known clearly that it intends for the provisions of section 206 authorizing restrictions on sugar-containing products to be implemented to prevent unfair competition of the nature now confronting the candy industry rather than to have the section continue as mere words without any application.

We are pleased that the House Agriculture Committee included language of this nature in its House Report 1046. Your attention is invited to page 14 of the committee report which provides as follows:

> *Confectionery imports.*—Section 206 of the Sugar Act provides for the imposition of import limitations on sugar-containing products under certain conditions. The language of the current law, the committee feels, is ambiguous and would be difficult to apply. Therefore this bill contains a revision of this section.
>
> A number of sugar-containing products, because of their nature, are not conducive to importing. However, a problem exists in reference to confectionery and chocolate. Imports are and have been increasing steadily for some years. In 1964 over 106 million pounds were imported.
>
> Recent world raw spot price sugar quotations have been approximately 1.75 cents per pound. Contrasted to this is a domestic spot raw price of approximately 6.75 cents per pound. When foreign manufacturers of confectionery manufacture products for shipment to the United States they are able to acquire world price sugar for this purpose. With any such price spread, a most serious competitive situation is presented to the domestic confectionery industry, and the committee suggests that immediate consideration be given to the establishment of limitations on imports of confectionery and chocolate.

As I indicated, we are hopeful that the Finance Committee will include similar language in its report to the Senate. Additionally, I would like to point out, however, that we believe the time element to be particularly important. As these imports continue to increase, naturally the economic interest of the foreign suppliers of confectionery increases as does their feeling of a vested interest in the U.S. market. Therefore, we think it important that an import quota on confectionery and sugar be made effective at an early date to avoid the contention on the part of foreign suppliers that they have acquired such a vested interest.

SOURCE OF U.S. SUGAR SUPPLY

Different circumstances involving a particular matter require different handling. All the circumstances involving sugar some years ago were so different from the circumstances prevailing today, as well as those possibly occurring in the future, to require a different approach and handling of the sugar problem than was practiced some years ago. We all recall when Cuba supplied 96 percent of all the sugar we obtained from foreign sources other than the Philippines. Our mainland beet and cane producers provided the smallest part of our supplies. When we needed extra sugar on short notice, an increase in the consumption estimate would bring supplies into the United States from Cuba as almost inexhaustible reserve within a few days.

Cuba is no longer with us as a sugar supplier, and as much as we would like otherwise, we think everyone will acknowledge that there is not a single source of foreign offshore supply which may be depended upon absolutely.

In making this statement, we have in mind possible dock strikes, Communist takeovers of producing countries, outbreak of hostilities in a particular producing area, or widespread hostility, which would affect shipping lanes in general. Therefore, while there was a basis for the U.S. sugar policy of some years ago when we acquired much of our sugar supplies from foreign sources, we recognize the changing circumstances and approve of the change in the U.S. sugar policy which has resulted in our acquiring an increasing portion of our sugar requirements from domestic producing sources. We urge that this policy be continued.

Sugar is such a vital commodity to both industrial America and also for home consumption that every effort should be made to assure the availability of a continuous adequate supply. We know that the various segments of the industry worked long and hard over a period of many months to develop an agreement which the administrative branch of the Government largely supports; and, therefore, we think it should be favorably considered by the committee.

FOREIGN COUNTRY QUOTAS RATHER THAN A GLOBAL QUOTA

We feel as most others seem to feel that we should obtain what sugar we do acquire from foreign sources on an individual country quota basis rather than a global quota basis so that our foreign supplies will have definite sources of responsibility rather than being the responsibility of no country.

STOCKPILE RESERVE

Lastly, we would like to present to you a recommendation which has been developed by our industry after long and careful study. We have approved it from the standpoint of critical analysis. It has been discussed with officials of the Agriculture and State Departments as well as the various segments of the domestic industry. Admittedly, it has not been embraced by any of them, although keen interest and strong sympathy have been indicated by some.

The Sugar Act is designed to provide fair prices to producers and adequate supplies at fair prices to consumers. It has succeeded fully in assuring those selling in the United States of a fair price to producers. Very beneficial language is written into the Sugar Act for domestic cane and beet producers, beet processors, cane refiners, and the foreign sources which sell their sugar in the U.S. market. Language is also written into the act for the benefit of consumers. The difference is that the language designed to help every segment of the industry is effective in accomplishing its objective except the language intended to benefit the consumer. In substance, the Sugar Act benefits producers as long as the world price is below the price objective of the Sugar Act. When the world price rises above the price objective of the Sugar Act, that is when the act should become effective for consumers, but that is when the act fails.

Currently, the world sugar market is at a very low level and producers are well protected, but it can and does fluctuate highly, and when the world price rises above the price objective of the Sugar Act, the real squeeze is on consumers. In this connection we have a proposal.

Our plan is to authorize our Government to acquire up to 500,000 tons of raw sugar on the world market when it may be acquired at a price at least 3 cents per pound below the price objective of the Sugar Act. Such sugar would be held and could be released only when the U.S. price should rise above the price objective of the Sugar Act; now, what are the advantages of this plan?

1. Most of the underdeveloped countries of the world produce sugar, and its export is important to their economies. When the world price is low, they are particularly in search of markets and in need of dollars. Our purchases at such times would be helpful to them.

2. It would in no way injure, threaten, or cause disruption to the marketing of sugar from our normal sources of supply. It is believed that some have questioned this proposal because of a fear of having sugar hanging over the market. Such a fear is unfounded because under the proposal the sugar could be released only when the U.S. price should rise to a level of one-quarter cent above the price objective of the Sugar Act. If, for example, there were sugar in the stockpile and the spot raw price were only slightly below the price objective of the Sugar Act, then the stockpile sugar still could not be released. The stockpile sugar could enter the market only if there were a genuine shortage of U.S. supply evidenced by the domestic raw price rising above the price objective of the Sugar Act.

3. It might not cost the Government anything. At present, admittedly, the world sugar price is at a very low level and possibly it would rise if the United States were to even gradually buy 500,000 tons for stockpiling. It is suggested, however, that at even 3, 4, or almost 5 cents per pound the Government could afford to pay inbound freight, storage, and domestic cartage cost and still not cost the Government money so long as the sugar were sold above the price objective of the Sugar Act within a reasonable time. We acknowledge that the word "stockpile" is causing unfavorable reaction by many because of the unsatisfactory experience of stockpiling U.S.-produced farm commodities. However, we respectfully submit that the circumstances involving sugar are entirely different from those involving other farm commodities and that whereas the results have been unfavorable in the case of these farm commodities, just the opposite would be true in the case of sugar because of the facts involved.

Let us apply some practical dollar arithmetic to this proposal. If our Government should acquire 500,000 tons of sugar under this proposal then this sugar when sold by the Government would be sold for approximately $70 million which would reflect a price of a quarter of a cent per pound above the price objective of the Sugar Act. Now, what would this sugar cost us which ultimately would be disposed of for $70 million? If this proposal were contained in the Sugar Act as it exists today we should then be able to buy sugar at 2 cents per pound or $40 per ton or $20 million for the 500,000 tons. Ocean freight at 1½ cents per pound would cost approximately $15 million making our total landed cost, assuming there would be no import duty, $35 million. Carrying and storage costs admittedly would be substantial and estimated at 1.75 cents per pound, $35 per ton, or $17,500,000 per year for the 500,000 tons. Thus, if the Government acquired this sugar under these circumstances, held it for a year and sold it for $70 million there would be a profit to the Government of approximately $17,500,000. It could be held for up to 2 full years without any loss to the Government. If the Government should have to pay 3 cents per pound on the world market, it could still be carried more than a year without loss to the Government.

Recognizing that the world price for sugar is highly volatile, probably there would be times when the Government would make money and other times it would lose money. Over the long pull it should not cost the Government very much, if anything. If it should, however, cost the Government some money, it seems that since the consumers of this country most of the time must pay much more than the world market price for sugar (currently more than three times the world market price) and recognizing the Federal payments which are expended under the Sugar Act for the benefit of other segments of the industry, it seems to us that this is a very modest proposal in behalf of consumers.

4. Storage should not be a problem. It has been suggested that raw sugar will harden after an extended period of storage. However, this should not present a problem because if after the sugar acquired for the stockpile were held for a period of months, it then could be delivered to refiners and replaced on a pound-for-pound basis by sugar which otherwise would have been delivered to refiners. This procedure could be repeated several times if necessary.

5. Five hundred thousand tons should provide helpful protection for consumers. As is well known, a genuine shortage of sugar of just a few hundred thousand tons will cause unfortunate dislocations in the market. We believe a stockpile reserve of 500,000 tons would carry us through most sugar supply shortage problems.

When the world price increases above the price objective of our own Sugar Act, as the committee well knows, psychological effects take place. The speculators enter the market and the price rises all out of proportion to the shortage. The effects on the market because of a slight shortage are well known. At the same time, if it were known that there were 500,000 tons of sugar in the Government-held stockpile which could not be touched until a spot raw price of about 7 cents per pound were reached but that at that price it then would be released, there would be no interference with regular operations but it would serve to prevent panic and speculation. Had this been in effect in 1963 it might have prevented a most unfortunate sugar price supply problem.

WHY A SUGAR STOCKPILE WOULD BE DESIRABLE WHILE THE STOCKPILING OF OTHER FARM COMMODITIES HAS NOT BEEN SUCCESSFUL

The United States has had most unfortunate experiences stockpiling wheat, corn, cotton, and many other commodities. The United States is fully self-sufficient and then some in the production of these commodities. We have more than we need. Because of our price-support policy, the U.S. price is higher than the world price, just as in the case of sugar but there the similarity ends. After the United States acquires its stockpile of corn, wheat, cotton, and other commodities at a high U.S.-supported and protected price and then wishes to dispose of such surpluses, it must be sold at a lower world price for export. In the case of sugar we are proposing that the United States buy on the world market only when the world market price is depressed and sell only in the U.S. market at a high price when the U.S. price is above the price objective of the Sugar Act. Restated, in the case of most farm commodities the United States buys in the U.S. market at the high U.S. price and then sells on the world market at the low world market price. In the case of sugar, under our proposal the United States would buy on the world market at the low world market price and then sell on the U.S. market at the high U.S. price.

Whereas the situation pertaining to sugar regarding stockpiling is far different from the circumstances pertaining to other U.S.-produced farm commodities concerning stockpiling, it is very similar to the situation concerning certain metals regarding stockpiling. As in the case of sugar, the United States is not self-sufficient regarding the production of many metals. Some years ago for defense purposes the United States acquired stockpiles of various metals. In the last 2 to 3 years consumption of certain of these metals has exceeded production, and if it were not for these Government-held stockpiles of lead, zinc, copper, and other metals, now determined to be in excess of defense needs, a quantity of each of which by acts of Congress have been released for industrial usage, very critical situations would have occurred in this country because of a shortage of these metals.

Sugar consumers need the protection of a stockpile reserve. To think that we will not again have a situation which will force the world market price above the domestic Sugar Act price objective is not reasonable thinking. Undoubtedly, it will occur again. Mr. John Crowe, vice president and general manager, Thurston Greene & Co., in an address delivered to the Food Industries' Buyers Group, National Association of Purchasing Agents, at their annual convention in New York on May 18 of this year stated as follows:

I have devoted considerable time to the world market, because you in the audience are interested in prices, and it will take a long time to forget what the world market did to us in 1963 and 1964. You will have nothing of major concern before you hold another convention in the summer of 1966, unless the world raw price again rises above the U.S. raw price. To say this cannot happen in the next 12 months, as did our Assistant Secretary of Agriculture in a speech last week, is foolish talk. Don't watch the figures which list how much sugar the world will produce in a crop year and how much will be on hand on August 31, 1965. The thing that establishes world price levels is the residual supply, and this tends to contract when prices are too low and expand when prices are high. To put it simply, low prices drive out of the residual market, countries which cannot sell at less than the cost of production, as well as those countries which only come in once in awhile to make a killing.

It is recognized that it is proposed that the foreign sources of supply, which are to be allotted the country quotas, be required to maintain a reserve for the U.S. market. Certainly this should be valuable, to which our proposal should serve as a backstop, but it is not the same having sugar on foreign soil in the hands of a government whose future is not certain with impediments to transportation which may be caused by warlike activities and also dock strikes at our own ports of entry, as it is in having the sugar under U.S. control on our soil.

The current Sugar Act presents a planned economy in sugar whereby growers, processors, and foreign suppliers all are protected. In equity consumers also should be protected and particularly so since the proposal we advocate would help the underdeveloped countries, would not impede regular marketing operations, and might not cost the Government anything.

We urge your careful consideration of our recommendations.

Senator LONG. Thank you very much, Mr. Bleke. Senator Williams?

Senator WILLIAMS. No questions.

Mr. BLEKE. Thank you very much.

Senator LONG. The next witness will be Mr. Rudolph Miller, Imperial County Sugar Cane League.

STATEMENT OF RUDOLPH MILLER, REPRESENTING THE IMPERIAL COUNTY SUGARCANE LEAGUE

Mr. MILLER. Mr. Chairman and gentlemen, my name is Rudolph Miller; I live in El Centro, Calif. I have been farming in the Imperial Valley since 1919. However, I am not retired from active farming. I wish to thank this Committee for the courtesy to appear before them.

I am appearing before you on behalf of the Imperial County Sugar Cane League. We are respectfully requesting this committee to give serious consideration to the amendment to the Sugar Act which was adopted by the House Agriculture Committee, and which would allow the production of sugarcane for sugar in areas outside of Florida and Louisiana.

As I understand this amendment is now in H.R. 11135 as it was passed by the House.

Imperial County is located in the southeast corner of California, adjacent to Arizona on the east, Mexico on the south, San Diego County on the west, and Riverside County on the north.

Three-fourths of the area of the county is desert sand and rugged barren mountains. The remaining fourth, comprising about 1,000 square miles (640,000 acres) is the rich Imperial Valley, lying below sea level. Of this 640,000 acres, approximately 500,000 acres are presently producing crops.

The valley is irrigated by the Colorado River through the All-American Canal and its branches—which constitute the only source of water for all purposes since the annual rainfall in the area is less than 3 inches. The ample water supply fully controlled throughout a year-round growing season, with mean month temperatures ranging between 55° and 90°, has made the valley an intensive agricultural area of highly dependable productivity. Through years of persistent efforts, an exceptionally diversified farm economy has developed because the Imperial Valley has a deep and rich soil, the water, the sunshine, and farmers who have learned the intricacy of irrigated agriculture.

Results of trial plots at the Southwest Irrigation Field Station and numerous plantings by farmers—scattered over most of the cultivated areas of the Imperial Valley, convinced us that cane can be produced for the extraction of commercially recoverable sugar.

We readily admit that we are not now in a position to grow this cane in large commercial plantings. However, since the Sugar Act now under consideration most likely will be for a period of 5 years, we would like to present our case at this time in the hope that Congress would extend the privilege of growing cane for sugar on the mainland beyond the two States which are now exclusively enjoying this right.

Farming in an all-irrigated area, with hot summers and mild winters, we have been searching for a crop which we can economically produce to replace some of the crops we have lost.

The production of flax for seed was, until just a few years ago, one of our major crops. Synthetic ingredients in paints have replaced the linseed oil, and the demand for this oil has dropped to a very small percentage of what it was just 10 years ago.

The Imperial County is known as the winter garden of America because we used to produce vegetables for shipment into eastern markets during the winter months. Producing fresh peas, green beans, and strawberries for winter shipment used to be some of our good crops. The frozen vegetable industry, however, has changed this completely. We have lost this market.

When Congress saw fit to cancel Public Law 78, the so-called bracero bill, we lost a good part of our labor force; and vegetables, melons, and watermelons that used to be produced in the Imperial Valley are now produced in the adjacent areas of northern Mexico, so we were forced to seek new crops.

The experimentations with sugarcane have been going on for about 14 years, and we believe we are very close to the breakthrough when we will be able to produce cane sugar commercially. The Holly Sugar Corp. has a mill in the Imperial Valley for the production of sugar from sugarbeets. This corporation is also interested in commercial production of sugar from cane to the extent that they are now participating in the experimental phase of the program. It is our understanding that their mill could be adapted to the processing of cane.

The west coast, and particularly southern California, is experiencing a tremendous population growth, and it can, therefore, be reasonably assumed that a ready market would exist for any additional sugar that we could produce. According to the Census Bureau, the rate of population increase for the 5-year period is 23.5 percent for Arizona, 11.2 percent for Utah, 54.2 percent for Nevada, and 18.4 percent for California.

On April 10, 1963, representatives of the Imperial County Sugar Cane League presented a request at a hearing before the Sugar Branch of the USDA for proportionate shares and a marketing quota for cane sugar. These people were received very courteously but were told that the Department of Agriculture was powerless to give them any proportionate shares or quota because the mainland production of sugar from cane was limited by law to the States of Florida and Louisiana.

It has never been our thinking to obtain a sugar quota from the now existing sugarcane-producing areas. Neither is it our intention to disturb the allocations as they are provided in H.R. 11135, a bill to amend and extend the provision of the Sugar Act of 1948, as amended.

We are building our hopes on receiving a share of the reserve which would be created by the increased consumption of sugar due to the increase of population which would go into effect only after the U.S. yearly consumption of sugar reaches 10,400,000 tons of raw value sugar.

Mr. Chairman and gentlemen, we would like to file with your committee some additional information on the results of our experiments, the expected per acre yield of sugar as well as a chart explaining how we envision this amendment to work.

(The attachment referred to follows:)

National consumption level, 9,700,000 tons

Area	*Short tons, raw value*
Domestic beet sugar	3,025,000
Mainland cane sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	6,390,000
Philippines	1,050,000
Foreign imports	2,260,000
Total	9,700,000

If U.S. needs go beyond 9,700,000 tons, "developing countries" receive an increase up to 10,400,000 tons or 700,000 tons.

Any U.S. increased sugar requirements due to population increase beyond the 10,400,000 tons raw value sugar shall be divided:

	Percent
United States	65
Foreign	35

Our request is based on a percentage of this 65 percent U.S. apportionment.

SUGARCANE—A NEW CROP FOR IMPERIAL COUNTY?

Agricultural Extension Service, University of California, Imperial County, El Centro

HISTORICAL BACKGROUND OF SUGARCANE

The history of sugarcane is almost as old as history itself. There is some disagreement as to just where sugarcane did develop. It is generally agreed, however, that its greatest distribution occurred from the Middle East. It may have been introduced into Java and the Philippines by the Chinese at the same time the Arabs were carrying it into Africa and southern Europe.

According to some researchers, there is evidence of the use of solid sugar about A.D. 500 in Persia. In the 9th and 10th centuries Egypt was engaging in commercial production of sugarcane, and sugar formed a large part of its commerce.

Columbus carried sugarcane into Santo Domingo in 1494, from where it spread into the West Indies and Central and South America. By 1600 the sugar industry in tropical America was the largest in the world.

Sugarcane production in Louisiana has been recorded since the middle of the 1700's. Today, most sugarcane produced for sugar in the United States is grown in Louisiana, Florida, Hawaii, and Puerto Rico.

SUGARCANE HISTORY IN IMPERIAL VALLEY

Just when the first sugarcane was planted in the Imperial Valley is not known definitely; however, an old note in the literature refers to sugarcane being grown in the Brawley area.

This cane, of unknown variety, came from Texas. The report further stated that it grew well except in areas "where the alkali was too strong." "This particular type of cane was very low in quality, having a percentage of sugar much less than a sugar beet. This characteristic probably will preclude the planting of this crop."

Sugarcane was planted on the Southwestern Irrigation Field Station, Brawley, in 1951. The results were rather discouraging, and very little was done with cane from 1951 to 1958. Cane was tried again on the Brawley station in 1958 with about 14 varieties planted. In 1959 Warren Brock contacted the U.S. Department of Agriculture for sugarcane varieties to be tried on the East Mesa Experimental Farm.

In the fall of 1959, Brock planted about 50 varieties of cane on the east mesa. Some of these have been extremely successful; other varieties have barely existed. Some have succumbed to the intense desert temperatures. Since Brock's original planting, some 120 varieties have been planted on the east mesa. Kenyon D. Beatty, research agronomist, Southwestern Irrigation Field Station, Brawley, Calif., assisted in the planting, observation, and evaluation of these experimental plantings. Mr. Beatty will continue to evaluate new varieties and conduct cultural trials.

In the summer of 1961, interest in sugarcane as a potential new crop for this area began to increase. Due largely to the enthusiasm of Victor V. Veysey and Warren Brock, in cooperation with the Agricultural Extension Service and the U.S. Department of Agriculture, cane plots were planted in farmers' fields in the late fall of 1961. These plots have met with varying degrees of success.

Some were of a variety primarily for "seedcane" increase. It was hoped to gain additional cultural information. Others of these plots were designed for further field evaluation.

Plots located on soils low in salt look very good. Plots on highly saline soils look poor. The salt content on these soils varied from an average high of 14.07 mmhos to an average low of 2.3 mmhos.

The variety which has shown most promise is N. Co. 310. This is the one that is most plentiful at this time. It is relatively high in sugar and yield. It is subject to lodging and is very susceptible to the mosaic virus. Some segments of the sugar industry feel that if the yield of cane reaches much over 40 tons per acre, the cane will lodge regardless of variety; however, this doesn't seem to hold in this area.

Some varieties with gross yields of around 150 tons per acre have not lodged extensively; other with very low yields have had extensive lodging. Other varieties in plots in growers' fields are N. Co. 293; N. Co. 376; Co. 285; Co. 312; C.P. 43-47; Co. 976; Co. 686; and Co. 973. The research into varieties is likely to continue for a good many years, both by government and private industry. Already, new varieties which are cold resistant are being developed as a result of the Florida freeze in the winter of 1962 and 1963. These are possibilities for the Imperial Valley.

CANE CULTURE IN IMPERIAL VALLEY

The three most important climatic factors in commercial production are temperature, light, and water. These are available in ample supply in the Imperial Valley.

It is recommended that cane be planted in rows on beds on 60-inch centers. Cane stalks are planted, and budding occurs at each node. It appears at this point that cutting the stalks into sections is a better practice than planting the entire stalk. The sectioning may be done before planting, but the easiest and fastest method seems to be cutting the stalk after it is laid in the furrow. A man can chop almost as rapidly as he can walk. The shorter sections (4 to 5 nodes) seem to result in better germination and also a neater job of planting, especially where seedcane is crooked.

Planting on the south side of an east-west bed results in faster emergence. There seems to be little difference in germination on the east or west side of a north-south bed.

Costs of production is essentially a guess, as there are no commercial acreages on which to base costs. The plots now growing still use large amounts of hand labor which will not be feasible on commercial fields.

As a starting point cane costs have been estimated. On the first year costs will run about $325 per acre (rent not included). Costs for the succeeding years should be about $235 per acre (again rent not included) because there is no land preparation, planting, or seedcane costs.

Plant growth varies somewhat in appearance and habit with varieties. Roots appear from root primordia or root bands. These take up water and nutrients, the buds swell forming primary shoots, these shoots then develop into the above ground stalks and leaves.

When the cane shoot develops its own root system, the first roots (on planted stalks) then decay. Suckers or stools develop. A stool from a single "eye," free of competition, may expand several feet in an 12- to 18-month period.

In Hawaii a cane stalk makes an average growth of about 12 feet per year. At the end of a 2-year season, some 40-foot stalks can be found.

Succeeding crops after first harvest come from underground buds. It is estimated that cane stands will have an average life of 4 years in Imperial County.

Composition

Sugarcane contains essentially the same sugar percentage as sugarbeets, running possibly a little less—about 13 to 15 percent sucrose. In addition, it has several byproducts of value to industry. For each ton of sugar produced, there is 1 ton of bagasse (crushed stalks), one-fourth ton of molasses, plus waxes, and acids used in the manufacture of plastics and other materials.

Soils

We can say that soils that produce good crops of alfalfa and flax should produce respectable crops of sugarcane. Salt will inhibit growth. Work is being done now by Dr. Leon Bernstein at the U.S. Salinity Laboratory, Riverside, Calif., to establish the salt tolerance of cane. However, we are suggesting planting on soils showing an electrical conductivity of not much over 4 mmhos. Soils of a borderline nature may allow fair to good growth the first year, but salt accumulation in the beds may prevent an acceptable stand the second year.

Water

An irrigation schedule of 5 to 8 days in hot weather is recommended—7 days on medium soil. Less frequent irrigation will be necessary in fall and spring.

Water requirements vary from 125:1 to 300:1 (125 grams water to produce 1 gram of dry material). Sugarcane has the ability to use dew and rain to replenish soil moisture to some extent. On irrigated soils in Hawaii, about 1 ton of water is needed to produce 1 pound of sugar. Cane grown in Imperial Valley may require more water than is needed in humid areas due to our higher temperatures and lower humidity.

Temperatures

Of the three major climatic factors, temperature and light cannot be readily separated. Sugarcane is a warm weather, sun-loving plant.

The optimum temperature of the root zone, for both growth and nutrient uptake, is 80° F. For germination of seed pieces, soil temperatures above 60° F. are required. This may have been the primary reason for poor stand in one of the 1961 farmer plots. Temperatures between 90° and 100° are optimum for germination. Temperatures above 100° are apt to be detrimental; temperatures below 70° will result in very slow germination. In the case of one particular variety (H32–8560), lowering the temperature from 78° to 71.5°) added 10 days to the germination period.

The effects of temperature on germination, growth, and nutrient uptake may vary somewhat by variety. Previous fertilization practice, size of cane, and the number of buds will also affect germination.

Fertilization

We are suggesting 100 to 150 pounds of P_2O_5 and 200 to 250 pounds of N per acre. The P_2O_5 and about a third of the N should be preplant. The remaining N should be put on in late March or April and certainly prior to mid-June.

Pests and diseases

No important pests or diseases of cane have been observed in experimental plantings. There are two stalk boring insects, but neither has posed a threat to successful cane production as yet. The lesser corn stalk borer occurs early in the season, and has been controlled with topical application of 2 percent endrin granules. The other borer, *Chilo loftini* (no common name), occurs late in the season and has been controlled by endrin or by cultural practices, chiefly sanitation. Cane growers are invited to consult with the farm advisers on pest problems.

An insect vector of sugarcane mosaic virus is known to be established in the Imperial Valley; however, the disease is not present in the area.

Farmers are warned not to bring in cane from other areas. There is a quarantine in effect which makes it illegal to import cane planting material. The valley should be maintained disease free as long as possible.

Weeds have been the major pest of cane, and growers have spent large amounts of money on hand weed control. However, in 1963, Atrazine at 3 pounds per acre gave very good weed control.

Ripening

Sugarcane loses moisture during its period of growth. In young cane the moisture content is around 83 percent; it will decline to about 73 percent in mature cane. While it is losing water, cane is also accumulating sucrose; therefore, it is essential in irrigated areas to cut off irrigation for a considerable period before harvest.

Late application of nitrogen will reduce the sucrose percentage. This ripening process is similar to that of sugarbeets in the Imperial Valley.

Yields

Sugarcane yields vary from variety to variety and from year to year. Yields with N. Co. 310, our most promising variety at this point, have run (on stubble) as high as 150 tons gross per acre with sugar yields up to almost 10 tons. CP 44-101, the cane with the second highest acreage in Louisiana, has yielded a little over 12.3 tons of sugar per acre. Another variety has given a gross yield of over 200 tons of cane, but sugar yield was not as high as with the other varieties.

These yields have been on small experimental plots, but they indicate the commercial production potential of cane. We believe that average yields of 65 tons of gross cane per acre are possible in the Imperial Valley.

The table below will give a comparison of yields of sugar per acre and tons of net stalks (stalk less tops and leaves) per acre on several plots in Imperial County and those of the State of Louisiana; for N. Co. 310 variety.

Planted	Net yield stalks T/A	Pounds of sugar/acre
Nelson Correll (1st year cane)	49.6	8,700
V. V. Veysey (1st year cane)	29.6	4,900
USDA Brawley Station:		
1st year cane	41.3	7,300
Rattoon cane	77.8	18,500
Louisiana:		
Light soil:		
Plant cane	30.5	6,400
1st rattoon	29.8	5,500
2d rattoon	25.4	4,600
Heavy soil:		
1st year cane	35.8	7,100
1st rattoon	29.1	5,600
2d rattoon	27.9	4,750

Harvesting

There are a few manufacturers that make cane harvesters. Some of these will probably be demonstrated in the valley in the fall of 1963.

SUGARCANE FOR FORAGE

Results of a feeding trial conducted at the Imperial Valley field station, Meloland, in 1963 by Dr. William N. Garrett, assistant animal husbandman, were not too encouraging. Cane silage, once opened, spoils rapidly. Even in the winter, when this trial was conducted, spoilage was rapid between the p.m. feeding and the a.m. feeding.

Dr. Garrett's trial indicated that cane silage had about 75-percent feed value of sorghum silage. George Worker, associate specialist in agronomy at the Imperial Valley field station currently is conducting forage tests with some varieties of cane not as suitable for sugar as N. Co. 310 and comparing them to other types of forages. Results will not be known for some time.

Warning

So far as we can determine, the Imperial Valley is free of the major diseases of sugarcane. Growers are urged not to bring in sugarcane from outside the county. Actually, the importation of cane into California is illegal. Plant quarantines are in force designed to prevent the entry and establishment of cane diseases and pests.

The only problems of concern at the present time are those of obtaining allotments to grow sugarcane and to sell the sugar. It would appear to be in the best interests of Imperial Valley growers to actively support an attempt to obtain sugarcane allotments for this area.

THE POLITICAL SITUATION

The USDA has already announced the lifting of acreage restrictions of sugarcane plantings for 1963. This, basically, is the reason for the tremendous amount of interest on the part of Imperial growers.

At this time the Imperial County Sugar Development Committee is doing everything possible to get cane allotments and marketing quotas for Imperial Valley.

(Prepared by Richard M. Hoover, farm adviser, Imperial County. Revised August 1963.)

Senator LONG. Thank you very much.

Senator Williams?

The next witness will be Mr. William L. Shea of the Osceola Operating Corp., of Belle Glade, Fla.

Mr. Shea.

STATEMENT OF WILLIAM L. SHEA, ATTORNEY, OSCEOLA OPERATING CORP., BELLE GLADE, FLA.

Mr. SHEA. Mr. Chairman and members of the committee, my name is William L. Shea, an attorney at law with offices at 1026 17th Street NW., Washington, D.C. I appreciate the opportunity to be allowed to testify before this distinguished committee in behalf of the Osceola Operating Corp., owner of the Big B Ranch located near Belle Glade in Palm Beach County, Fla. I also appreciate the fact that it is late in this session of Congress, so I will make my remarks as brief as possible.

I have been informed that this committee wishes to limit the number of witnesses and that all segments of the domestic cane and beet sugar producing and refining industry will be represented by Mr. Frank A. Kemp, president of the Great Western Sugar Co. We take exception to this representation because we are one of a number of prospective new mainland sugarcane growers located in Florida, and there are others in Louisiana and California, not to mention other farmers in the mainland United States who would like to grow beets.

Under the present Sugar Act there is no way a new sugar grower in the United States can get into the picture because he has no history. The old domestic growers and refiners, both cane and beet, propagate their monopoly whenever there is a deficit from any foreign quota country or whenever there is an increase in consumption. The balance is divided among other foreign suppliers under a rather complicated system. Why should they enjoy such a privileged position? Why should such faraway foreign lands benefit from our increased domestic consumption? Are we going to have to depend on faraway foreign suppliers during the next war or emergency to furnish the United States with 35 to 40 percent of our needs?

Mr. Chairman and gentlemen, we respectfully request this committee to give serious consideration to the amendment to the Sugar Act which was recently adopted by the House Agriculture Committee in H.R. 11135. It begins on page 16, line 3, of H.R. 11135, Union Calendar Print No. 451, continuing through page 17. These provisions amend section 205 of the Sugar Act of 1948, as amended. Further, the above section is supplemented by amendments to section 302 of the Sugar Act of 1948, as amended, by section 10 of H.R. 11135 commencing on page 21 and continuing through page 25. You will note that we are not asking for a quota or an allotment for this year or next but only that the Secretary of Agriculture shall be authorized after 1966 to establish an allotment up to 25,000 short tons of sugar, raw value, for each such new domestic beet and mainland sugarcane area which would make it economically feasible to construct a new mill or factory in each area every 2 years. As now written, these allotments by the Secretary would not be made until 1967 or until after domestic consumption passed 10,400,000 tons per year. There we are not taking anything from anybody.

Thus far I have made a general argument in support of H.R. 11135. Now I would like to say a few words in support of our specific situation. Osceola Operating Corp. owns 30,000 acres of land centered about 14 miles southeast of the village of Belle Glade in Palm Beach County, Fla. Approximately 1,400 of these acres are presently planted in sugarcane. This puts Osceola in the category of being a small producer in comparison with the large corporate and cooperative producers in the Florida cane area. Our presence at these hearings is both as a small and new producer of sugarcane and also as one which seeks to become a much larger producer. Though we hope to become a competitor of those already producing cane, we have enough faith in sugarcane and its long-range future to believe that healthy competition will work to the advantage of the entire industry.

Our stockholders have made a substantial investment and a long-term commitment to produce sugarcane in Florida. Its 30,000 acres of land was acquired some years ago at a cost in excess of $2 million but it was not until the spring of 1964 that we were able to complete preparation and development of sufficient land to permit us to plant 1,357 acres of seed cane. Until the Department of Agriculture, by release dated April 13, 1964, announced its intention to consider the need for establishing 1965 crop proportionate shares for farms in the mainland sugarcane areas of Florida and Louisiana, Osceola was prepared to invest an aggregate of over $22 million. Osceola employed the services of sugar technicians, land development engineers and agricultural and financial experts to prepare a comprehensive program for the development of the ranch as a large integrated sugarcane plantation and mill with a production capacity annually of about 45,000 tons of raw cane sugar.

Under the supervision of a full-time staff, considerable improvements to the property have been made, all of which have required a further substantial capital investment. Perimeter water-control dikes and bridges have been built. Fourteen miles of main canals are almost completed, as well as 28 miles of road. The land plus the improvements represents a major capital investment of well over $7 million. We have been deprived of the right to put land in which substantial amounts have been invested, at the encouragement of the Government, to its most profitable use.

The original planting of 1,857 acres of cane was intended to provide us with seed cane for the planting of an additional 16,000 acres in the fall of 1964 for harvesting in the 1965–66 season. Our engineering, construction, and financing arrangements were completed last year. Osceola was and is ready to expand. In addition to providing employment for a number of workers and industries during the course of development of the property and construction of the mill, the planned mill and plantation was expected to employ over 100 persons permanently plus a harvest season payroll of up to 1,000 persons.

We did not go into this venture blindly. We invested the money because of the Government's urging that more sugar be produced in this country and its declaration that no acreage allotments were going to be placed through 1965. In May of 1963, when the Department of Agriculture rescinded 1963 crop proportionate shares and announced that the 1964 crop of sugarcane would not be restricted, world sugar stocks were very low and the world price of raw sugar was spiraling upward. Every conceivable green light was turned on that might entice more sugar into the American market.

The recommendation of the President of the United States that marketing restrictions on the sale of all domestically produced sugar be removed for 1964 was a part of his agricultural message to Congress transmitted on January 31, 1964. The pertinent portion of the President's message is as follows, and I quote:

> 4. *Sugar.*—The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved groundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.
>
> However, the experience of the past year—and the fact that foreign sugar quotas expire at the end of 1964—highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.
>
> I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.
>
> The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall—early in this session—make recommendations for remedial legislation.

Of course, we realize that conditions have changed and we are not criticizing the Department for the action it took.

On May 1, 1964, we submitted a summary statement of our position to the Director of the Sugar Policy Staff, Department of Agriculture, in response to the initial announcement that the Department was considering the need for establishment of sugarcane acreage allotments for the 1965 crop year. In short, we stated that the Department should refrain from taking any action at that time to establish acreage allotments for the 1965 crop of mainland sugarcane. We felt that any restrictive administrative action should await the then pending hearings for an entire revision of the Sugar Act to reflect major changes in domestic and world supply and demand relationships.

We strongly favor increasing this country's self-sufficiency in meeting its sugar needs, and, therefore, we are opposed to a reduction in the production of sugar in the U.S. mainland. We believe the demonstrated success of mainland farmers in increasing production of both cane and beet sugar when called upon offers the best possible evidence to this position. The response of the American farmers to the need for increasing mainland production has been in every way beneficial within the intentions of the Sugar Act as spelled out in its preamble:

To protect the welfare of consumers of sugar and of those engaging in the domestic sugar producing industry.

We strongly urge that the mainland cane sugar industry, of which we are a member, be given continued opportunity for orderly growth; and, therefore, we are opposed to a reduction of the production of cane sugar. We offer the response of the Florida and Louisiana cane growers and cane producers over the last several years as the best evidence of their contribution to the major ends sought to be achieved under the Sugar Act.

Consistent with the above affirmations we believe that both the Federal laws and the administrative regulations augmenting those laws should provide the mainland cane industry (i) with fair prices, (ii) with adequate return on soundly invested and well-managed capital, and (iii) with a means for orderly expansion.

As a new producer, we emphasize the need for the sugarcane industry to be provided with a sound mechanism for expansion which will offer opportunity both to those who are presently engaged in the industry, either long established or of more recent vintage, and to those, such as ourselves, who give evidence of being competent to become new producers. It is in this regard that we have advanced the suggestion that new legislation provide for the creation of a tonnage or acreage reserve available to selected new cane sugar projects.

RECOMMENDED ACTION ON BEHALF OF NEW PRODUCERS

We maintain that the only sound and sensible way for the Secretary of Agriculture to truly "protect the interests" of the new and small producers of cane sugar is to build an economic unit of sufficient strength that independently it can withstand the pulls and drags of the volatile sugar market. Such a unit can be organized by the Secretary allotting each year to new and small cane sugar producers sufficient acreage to produce 25,000 short tons, raw value, of sugar. This new cane production allotment, if distributed to one area, would make the construction of a new mill every 2 years for milling the cane grown on such additional acreage an economically sound investment. Since the new cane production allotment would be insufficient to warrant construction of a new mill facility in one area in the first, third, and subsequent odd years, the allotment for such years could be either temporarily allotted by the Secretary to existing growers, or withheld by him from production, depending on his estimates of consumption requirements.

The new cane production allotment recommended above would not be taken away from the existing producers; there are two other sources which should provide ample acreage to satisfy this allotment. In the first place every year a number of sugar producing areas regularly fail to meet their quota requirements. Rather than allocating these so-called deficiencies to existing producers, which only results in furthering the monopolies already in existence, we urge that such regular and recurring deficiencies be allocated on a permanent basis to the new cane production allotment. Secondly, it has been estimated that domestic consumption increases at the rate of 150,000 tons a year. Even if this figure is an exaggeration, the increase in domestic consumption is high enough to award 25,000 tons annually to new cane producers, taking into consideration the relative divisions between the foreign and domestic producers and between the beet and cane growers.

A new cane production allotment such as described above would have the effect of helping to (i) offset the discrimination which now exists in favor of new and old sugarbeet growers and old sugarcane growers, (ii) eliminate the monopoly now enjoyed by present sugarcane mills, and (iii) stabilize the sugar market and sugar prices by providing a source for increasing domestic productions.

CONCLUSION

We feel our recommendations would result in reasonable consumer sugar prices, reasonable selling prices for U.S. farmers, adequacy of an assured supply of domestically produced sugar, continued harmony of U.S. relations with sugar-producing foreign allies, and the conservation of U.S. gold and dollar balances. Our position does not conflict with or harm existing domestic sugar refining, sugarbeet-producing and sugarcane-producing industries.

Again I repeat that we are not urging that we be permitted to expand our cane production this year or next year, but we do urge that Osceola and all other new and small cane producers be given the right to look forward to entry and participation or increased participation in the cane sugar industry on an organized basis at some time in the future. We are perfectly willing to wait our turn; all we ask is that the Congress not permanently bar the door.

I thank you gentlemen for giving me the opportunity to express our views.

Senator LONG. Thank you very much.

Senator Williams?

Senator Talmadge?

Thank you very much, sir.

The next witness will be Mr. John Fleming Kelly, representing the National Sugar Manufacturing Co., of Sugar City, Colo.

STATEMENT OF JOHN FLEMING KELLY, GENERAL COUNSEL, NATIONAL SUGAR MANUFACTURING CO.

Mr. KELLY. Mr. Chairman and members of the committee, my name is John Fleming Kelly. I am an attorney in Denver, Colo., and general counsel of the National Sugar Manufacturing Co., of Sugar City, Colo. I appear here in behalf of National and its growers.

I have filed a prepared statement and with your permission I would like briefly to summarize that.

National's position and that of its growers is supported by Buckeye Sugars, Inc., of Ottawa, Ohio, and I am advised by its growers, too.

Buckeye and National are both single plant and single beet sugar processors. National urges that sugar legislation include provisions authorizing the Secretary to establish a marketing allotment for a single plant unaffiliated processor of sugarbeets at such level not to exceed 25,000 tons as is necessary for reasonably efficient operation and further authorizing the Secretary to make the necessary supporting acreage allotments.

Provisions to accomplish this are included in H.R. 11135 in sections 5 and 10 thereof, and for this purpose that bill establishes a national reserve of 25,000 tons from the beet quota. These provisions do not guarantee the processor a marketing allotment of 25,000 tons. They provide merely those marketing and acreage allotments up to 25,000 tons which the processor and its growers establish they can utilize.

These hardship provisions are essential if National is to continue in business.

During the past 3 years, Mr. Chairman and members of the committee, we have suffered in southeastern Colorado a very severe draught. The result of this has been that the planted, the beet planted acreage, harvested acreage, has been drastically curtailed, and consequently the marketing production of our company has fallen below what would be its normal level. We do not feel that the general provisions of the act, either the present act or as it would be extended under the proposed administration bill, provide the special relief which we need in order for a small company to stay in business, to continue to provide a cash crop or market for the cash crop of its growers, and for it to be the support that it has been to its community.

Our growers produce beets in southeastern Colorado and in western Kansas. Our payments to these growers in the past 5 years have aggregated about $5 million. We are the only practical market for most of our growers. If National cannot operate at an economic level, we must close our doors, our growers will consequently lose their only outlet for this cash crop of sugarbeets, and losing that not only will they have to seek another cash crop but they will lose substantial investments in beet machinery.

We are one of the largest supporters from the private segment for the economy of our area. We are the second largest taxpayer in Crowley, Colo.

Our factory payroll in the past 5 years has aggregated about $2 million. Thus it is fair to say, I think, that without National, without the contribution to the economy which we make in our area of Kansas and Colorado, the community there will be sorely tested to survive.

What we are asking for is not a special advantage, a guarantee for the growers or for ourselves. We simply want the Sugar Act to contain provisions which will enable the small processor and its growers to remain a part of the domestic sugarbeet industry.

Thank you.

(The prepared statement of Mr. Kelly follows:)

SUPPLEMENTAL STATEMENT OF JOHN FLEMING KELLY, GENERAL COUNSEL, NATIONAL SUGAR MANUFACTURING CO.

Mr. Chairman and members of the committee, my name is John Fleming Kelly. I am an attorney in Denver, Colo., and serve as general counsel of the National Sugar Manufacturing Co. I appear here today on behalf of National and its growers.

The National Sugar Manufacturing Co. is located in Sugar City, Colo., where it has operated its sole processing plant since 1900. National is the smallest processor of sugarbeets in the United States. It provides the only accessible market for many growers of sugarbeets in eastern Colorado and western Kansas. National is the second largest property taxpayer in Crowley County, Colo., and ranks first or second as the county's largest employer. Payments by National to beet growers for the past 5 years have aggregated about $4,000,000, and in the same time National's factory payroll has aggregated about $1,800,000. This vital support by private industry to the economy of southeastern Colorado and western Kansas is in real danger of disappearing unless Congress comes to the aid with the legislation we suggest.

For the reasons which I will outline, National urges that any legislation enacted by this Congress concerning sugar incorporate provisions to insure the continued existence of the small, unaffiliated, single-plant company upon whom many growers depend. Such provisions have been included in sections 5 and 10 of H.R. 11135.

In the form in which that bill passed the House, section 205 is amended to authorize the Secretary, in making allotments of the beet quota, to take into consideration the need for establishing an allotment, not to exceed 25,000 short tons, which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single-plant processor of sugarbeets. Further in H.R. 11135, section 302 is amended to authorize the Secretary to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than 25,000 short tons from each crop to provide any nonaffiliated single-plant processor with an estimated quota of sugar for marketing of not to exceed 25,000 short tons.

These provisions are sometimes referred to as the beet hardship provisions of H.R. 11135. In addition to being supported by National, they are also supported by Buckeye Sugars, Inc., of Ottawa, Ohio, another unaffiliated single-plant company.

Without these provisions, National will be held at uneconomical levels of marketing and production. It thus may eventually be forced to shut down operations entirely, leaving growers without a market for their sugarbeets. Thus, what National is requesting is not a special advantage for its growers or for itself. National simply wants the Sugar Act to contain provisions which will enable small processors and their growers to remain part of the domestic sugarbeet industry. The bill guarantees growers in many foreign countries the right to continue to participate in the American market, and I certainly feel that an equal right should be given to American farmers.

The danger is real that the Sugar Act as it now stands, or if amended without the addition of the beet hardship provisions, would not allow National to continue to serve as a market for its growers in eastern Colorado and western Kansas. For the 1965 crop year National anticipates production of approximately 7,500 short tons of sugar, raw value, from about 4,000 acres. Under the present marketing allotments, National will be permitted to market about 8,000 short tons in 1965, out of a total current quota for domestic sugarbeet processors of 2,650,000 short tons. This amounts to slightly less than one-third of 1 percent of the total allotment. Part of the reason for National's tiny share of the market is due to the fact that its growers are in an area which has been affected by severe drought conditions for the past several years. Even this year the rains came too late to aid germination or prevent winds from blowing away newly planted crops. While growers in other parts of the country were rapidly expanding their acreage and improving their "history," National's growers were in many cases forced drastically to reduce their acreage due to lack of water.

For example, in Crowley County, Colo., National could normally expect its growers to harvest at least 2,000 acres of beets, while in the 1964 campaign only about 200 acres were harvested there. The Sugar Act has protected the past history of many of National's growers by permitting the growers to receive credit for "prevented" acreage due to drought, but this has not fully allowed such growers to participate in the growth of the market. Thus, while other processors have improved their marketing history, National has lost ground during these years. Under the general provisions of the bill, and without the beet hardship provisions, there would be no opportunity for National to regain that ground, at least as long as acreage and marketing restrictions are in force.[1]

The result of this is that National's plant is presently producing at a level far below that generally considered as efficient in the industry. At the 1962 hearings it was emphasized by all parties that a 50,000 short ton allocation was necessary to encourage investment in a new plant. Mr. Kemp, in presenting the industry's views at that hearing said:

"* * * 50,000 tons is 1 million bags of sugar of 100 pounds each. Now, 1 million bags of sugar is more than the average productivity of the American beet sugar factory at present. The average of the factories of my company is not as high as 1 million bags. This higher quantity was thought necessary because under the extremely high cost of construction today a plant has to be big enough, has to be automated enough to justify its cost."[2]

And the House report on that bill agreed that 50,000 tons was the amount necessary for a new plant, as it stated:

"The reasonableness of this figure is confirmed by three facts: (1) The average production of the 61 beet sugar plants in operation in 1961 in the United States was less than 800,000 hundred pound bags of sugar. (2) A study by an independent, reputable engineering firm recently recommended to interested producers in one of the important sugarbeet producing areas the economic feasibility of a factory with a capacity slightly under 1 million bags. (3) Even in areas where conditions might suggest the feasibility of a plant having a larger capacity, it is generally recognized that a 1 million bag output would be adequate to underwrite successfully the initiation of such a plant."[3]

To illustrate the growth of the market in just these few years, it is worth noting that in 1964 over 61 million bags of beetsugar were processed by 64 beetsugar factories, for an average of 960,000 bags, compared to less than 800,000 just 3 years earlier. Some members of the industry have indicated that a 50,000-ton annual production is not enough for a new plant. National is unable to comment on the cost problems of such a plant. I do know, however, that our own cost studies, carried out by an independent engineering firm, clearly show that our present level of production is uneconomical. Our present estimate is that National must process at least 12,000 short tons of sugar to break even, and that a substantially larger amount would be necessary to earn a fair rate of return on investment. This minimum figure was confirmed by the request of the Holly Sugar Corp., at Department of Agriculture hearings in September of 1962 for acreage sufficient to expand its Delta, Colo., plant to a production of about 28,000 tons to "* * * insure a basis for an economically feasible operation."

[1] National, with its present plant capacity, is capable of processing far more sugarbeets than it is now allowed to contract for and market. In the 1964 crop year National processed 146,706 hundredweight of sugar in a campaign lasting 62 days. In contrast, in 1962 National processed 280,280 hundredweight, or nearly twice as much sugar, by extending its campaign to 108 days. In both years the tons of beets sliced per day were about the same; 103 days does not represent an unrealistic length of time to operate such a plant in Colorado. The factory nearest National's plant operated for 142 days in 1962 and for about 120 days in 1964. At present plant capacity, in a 140-day campaign National could process 884,000 hundredweight. Furthermore, engineering studies indicate that for $1 million National can effectively modernize its plant and increase its daily slicing capacity from its present 1,100 to 1,600 tons per day, which would permit further production increases and cost reductions. National's production for the past 10 calendar years is as follows:

	Bags (hundredweight)	Short tons, raw value
1955	55,147	2,952
1956	75,555	4,045
1957	126,400	6,767
1958	173,120	9,268
1959	201,120	10,767
1960	270,670	14,490
1961	173,040	9,263
1962	280,280	15,004
1963	132,180	7,073
1964	146,706	7,854

[2] Hearings before the Committee on Agriculture of the House of Representatives on H.R. 11730, 87th Cong., 2d sess., ser. 2, at 31.

[3] H. Rept. 1829, 87th Cong., 2d sess., at 4.

Thus nothing can be more obvious than the fact that National cannot continue to operate at its present level of production, which is about the level it would be tied to for the foreseeable future without the beet hardship provisions. And as costs continue to increase, it is certain that if small businesses are to remain in existence, they must be allowed to produce a tonnage above the present bare break-even point. We are in agreement with Buckeye Sugars that 25,000 tons is a reasonable figure which should allow a single-plant company, operated efficiently, to make a fair return on its investment during the coming years.

In view of the fact that National only expects to produce about 7,500 tons of sugar in 1965, you may wonder why we are requesting permission to process up to 25,000 tons. Please bear in mind that we are only asking that the Secretary be authorized to grant an allotment of up to 25,000 tons to unaffiliated single-plant companies, not that he be ordered to do so, regardless of ability to utilize that amount. I will be the first to admit that National would not be able to utilize all of a 25,000-ton allotment next year. It can, however, increase production considerably merely by extending its campaign, which has been one of the shortest in the industry in recent years. Its campaign could be nearly doubled in length if it could contract for additional sugarbeet acreage, and thus double 1964 production; 15,000 tons production is quite feasible with present plant capacity. Nor is such a crop beyond the realm of probability. The moisture of this summer, while too late to increase the size of 1965 acreage, has restored growers' confidence in the Arkansas Valley area, and assures a supply of irrigation water for next year. The Fryingpan-Arkansas project will help to stabilize moisture conditions.

Furthermore, with its present marketing allotment, it is very difficult for National to secure permanent financing. Additional capital would allow National to continue plant modernization and reduce costs to a level near the industry average. Such capital will only become available when an opportunity to produce and market a larger amount of sugar is afforded National.

While I am obviously concerned over the survival of National from a personal point of view, the committee should be concerned with its survival for other reasons. Perhaps the most important of these reasons is that National's growers would be unable to find another market for their sugarbeets, and would be forced out of production, their production history notwithstanding.

Most of the sugarbeets which National processes are beets which would not and could not be processed by any other factory. Beets grown for National in Kansas and Colorado are grown on property convenient to the Missouri Pacific Railroad right-of-way, and thus, from the standpoint of freight costs, can be shipped only to National's factory at Sugar City. Shipment to Rocky Ford would require shipment to Pueblo on the Missouri Pacific and a backhaul on the Santa Fe, adding approximately 100 miles to the shipping distance, the cost of which would have to be absorbed by the growers. While Great Western Sugar Co. contracts for some beets in Kansas, it is similarly interested in only those beets grown in locations convenient to its receiving stations on the Union Pacific, and it is very unlikely that it would contract for any substantial part of the beets now grown for National.

Thus, if National is forced to close because of inability to operate at an economic level, its growers in Kansas and Colorado will lose their only practical market for their sugarbeets. In being forced out of the business they will lose their investment in expensive beet machinery. For these farmers sugarbeets represent the only practical cash crop, and without it few of them will be able to justify the substantial investments they have made in developing wells for crop irrigation.

Another important reason for taking the necessary measures to allow small, unaffiliated single-plant companies to remain in the beet sugar industry is the present competitive posture of this industry. The sugar refining industry has been the subject of a number of antitrust suits which indicate that the past performance of this industry has not always satisfied the competitive standards of the antitrust laws. Part of these troubles stem from the high degree of market control possessed by a few giant companies. In 1964 the four largest beet sugar processors processed two-thirds of the domestic beet sugar crop; the six largest companies processed over 88 percent of the crop. Last year there were only a dozen companies in the beet sugar processing business; with the introduction of Empire Sugar Co., a subsidiary of Pepsi-Cola, in New York State, and a new company in Maine as a result of the expansion reserve provisions of the 1962 amendments, there will be 14 companies. The other allocations for new factories made by the Secretary under those provisions did not improve the competitive picture, since they went to three of the largest companies: Holly, American Crystal, and Spreckles.

Thus the Secretary's administration of the expansion reserve provisions of the 1962 amendments did little to decrease concentration. In fact, by adding new plants and protected allotments to the empires of the industry's giants, the trend toward increased size and concentration was accentuated. This disparity in size and economic power has caused the shutdown of a substantial number of beet sugar companies in the last 15 years. That trend seems destined to continue, with all beet sugar processing eventually in the hands of a few multifactory companies, unless Congress acts to stem the tide. In order to preserve some competitive vitality in this industry, the Sugar Act must not tie the hands of small competitors so that survival is impossible. To pass a sugar bill without the beet hardship provisions would do just that, and National feels certain that this committee, once made aware of the problem, will never allow such a situation to arise.

We realize that, regardless of the committee's natural sympathy for the plight of the small processor and its growers, it is still a difficult matter to reallocate production and marketing allotments to achieve this end. As a cash crop, sugarbeets are in great demand throughout the United States. We have no desire to see any other grower suffer in order to aid our own growers. Actually, a very modest amount of sugar would be needed to grant the protection we ask. For Buckeye Sugars, the only other firm which would be affected by this proposal, the lowest quota that its management can anticipate under this bill is about 18,000 tons, which means that only 7,000 additional tons would be needed to allow it the protection we suggest. For National, with a presently anticipated 1966 allotment of roughly 9,000 short tons, another 16,000 short tons might eventually be necessary. Together, Buckeye and National might require 23,000 short tons under our proposal. This is less than 1 percent of the present basic beet marketing quota.

In closing, I would like to emphasize that I make this request not only on behalf of National, but on behalf of its growers. If National were eventually forced to shut its doors because it was not allowed to operate at a level of production which is efficient and which would enable it to earn a fair return on its investment, National's shareholders would not be the only persons injured. Hundreds of small farmers who have invested heavily in beet equipment, and in wells to irrigate their farms, would be without a market for sugarbeets, which represents the only cash crop grown in this area which is not already in surplus. The heavy investment made by these growers in developing irrigation water cannot be justified unless they can grow a crop such as sugarbeets. Moreover, the economy of an entire area of the Nation would be seriously and adversely affected.

To be sure, growers would technically retain their acreage allotments even after their sugar processor has disappeared. But what good is an allotment when there is no market for the beets? An acreage allotment is meaningless unless the grower can also market his beets. Without the beet hardship provisions, the Sugar Act would actually discriminate against National's growers, by depriving them of a market for their beets and forcing them out of the beet sugar business.

I would also like to emphasize that this does not represent a situation that has arisen through any fault of National's or its growers. Both National and its growers have been plagued by the most severe drought they have experience in 30 years, and have made every effort to keep production high. This is not a situation where either National or its growers have voluntarily placed themselves at a disadvantage, but one where nature has prevented greater plantings. We do not feel that the Sugar Act should further penalize National and its growers, but should allow them to recover their position now that the drought has been broken.

National and Buckeye are very small companies in an industry of corporate giants. Their growers are relatively few in number compared to the thousands who grow for larger companies. I hope that they will not be ignored because of their numbers and size, for they represent the small farmer and the small business which Congress has in the past always encouraged. We trust that you will not enact a bill which would drive them out of business, simply because they are small.

On behalf of a small factory and its growers, may I urge your favorable consideration.

Senator LONG. Senator Williams?

Senator WILLIAMS. Assuming that is included in the bill, what provisions are there in the bill or in the act that would assure a reasonable portion of that would pass through to the producer of these beets, the farmer. Under this proposal, you would have a captive group of suppliers, the farmers. If they didn't like your prices, couldn't they say, "We will go somewhere else."

You have captive customers. What assurance do we have that these customers would be protected and get their proportionate part of this market?

Mr. KELLY. The Department of Agriculture, [illegible] & 62 under the general provisions of the act, has reviewed the price structure paid by the companies to its growers during the years and have established these have been fair and it is necessary for the company to receive its share of, certain proportionate share of, payments.

Most of our contracts with our growers are on a 50–50 basis, so that the grower shares equally with us in the net return on sugar. This is the standard contract in processing in our area.

Senator WILLIAMS. When you say 50–50, how do you figure that?

Mr. KELLY. It is done on the net return on the sugar contained in the beets which are delivered by the particular grower. It depends on both a sample of his beets and by an audit of the company's books.

Senator WILLIAMS. And 50 percent of your profits of the company net are passed back?

Mr. KELLY. Yes, sir; 50 percent of the net return on the sugar contained in the beets which that grower delivers to the company.

Senator WILLIAMS. Does your company or do the processors in areas actually produce these beets on their own farms?

Mr. KELLY. Some processors do. We produce very little.

Senator WILLIAMS. What would prevent this from becoming an integrated unit with a market furnished by the Government where the producers would be left out in their entirety. Do they have any protection under this?

Mr. KELLY. Yes, sir, I think they do. The contract between a beet processor and its growers is a rather hotly negotiated document each year, and the grower is represented by his association. The processor by someone from the management team, and there are always points of difference. From my experience, the producers, the growers, have never been at a disadvantage at the bargaining table.

Senator WILLIAMS. I am not suggesting that they are. But you do have a captive group of customers or suppliers. I think you would agree there is this possibility there that the processor may decide to move over and produce a substantial part of his own needs in which event is there any protection, that you would not cut out, Joe, Tom, Dick, and Harry who have been producing?

Mr. KELLY. Yes, sir; because I am sure that the Department under the other provisions of the bill would not be making the proportionate share payment to the producer as a processor unless the price which it paid to the independent growers was a fair one.

Senator WILLIAMS. That is the question. Are there provisions in this bill which would restrict you where they could legally stop you from doing it?

Mr. KELLY. Yes, sir; I think so.

Senator WILLIAMS. If they were not, you would not have any objections to their being included in the bill.

Mr. KELLY. No, Senator.

Senator LONG. Senator Talmadge?

Thank you very much, sir.

Mr. KELLY. Thank you.

Senator LONG. I place in the record a statement by Mr. Gunnar Fromen, on behalf of Buckeye Sugars, Inc., endorsing the statement which has just been made by Mr. Kelly.

(The statement follows:)

MEMORANDUM ON BEHALF OF BUCKEYE SUGARS, INC., OTTAWA, OHIO, AND ITS SUGARBEET FARMERS, SUBMITTED BY GUNNAR FROMEN

Buckeye Sugars, Inc., and its sugarbeet farmers (Buckeye) are in favor of H.R. 11135 as passed by the House. H.R. 11135 contains provisions for a so-called national reserve, in which Buckeye has a vital interest. It is the purpose of this memorandum to outline its reasons therefor.

1. To remain economically sound, Buckeye needs to grow, process, and market at least 25,000 tons of sugar annually, and the national reserve provision in H.R. 11135 gives Buckeye this protection. To reach this needed capacity the company has spent $1,500,000 in the last 5 years. Buckeye's production is comparatively small when one considers that the average size of beet-processing plants in the industry is 50,000 tons, and that new plants which came into being under the acreage reserve provisions of the Sugar Act of 1948, as amended in 1962, were allotted a 50,000-ton quota.

2. Without the national reserve provision of H.R. 11135, Buckeye's quota will be about 18,000 tons in 1965 and perhaps 22,000 in 1966 because of its earlier history. Possible acreage allotments in the future may reduce its beet acreage.

3. The national reserve provision of H.R. 11135 does not guarantee small independent companies such as Buckeye anything, but only an opportunity to produce and market 25,000 tons of sugar annually. This cannot be prejudicial to the rest of the industry, as Buckeye represents less than 1 percent of U.S. beet sugar production and marketing. See attached tabulation. It will only permit Buckeye to survive and to market sugar with the larger companies.

4. The Senate bill fails to recognize the needs of the small, independent sugarbeet processing companies, and embodies only the wishes of the larger companies. The House has seen the need for protecting the small beet processors such as Buckeye, and has acted accordingly.

5. Buckeye's farmers and workers depend on this business for their livelihood. They have no other plant in which to process their beets economically.

Effect of H.R. 11135 on U.S. beet sugar companies

	Market allotment				Proration to national reserve of H.R. 11135 to provide for Buckeye Sugars, Inc.	
	Present law		H.R. 11135			
	Tons [1]	Percent of total	Tons [1]	Tons increase [1]	1965 (tons)	1966 (tons)
1. The Great Western Sugar Co.	629,000	23.7	717,000	88,000	1,800	700
2. Holly Sugar Corp.	442,400	16.7	505,200	62,800	1,300	500
3. Spreckels Sugar Co., Division of American Sugar Co.[2]	409,000	15.4	465,800	56,800	1,200	500
4. Amalgamated Sugar Co.	323,300	12.2	369,000	45,700	900	400
5. American Crystal Sugar Co.	286,400	10.8	326,700	40,300	800	300
6. Utah-Idaho Sugar Co.-Layton Sugar Co.	272,600	10.3	311,600	39,000	800	300
7. Union Sugar, Division of Consolidated Foods[3]	132,300	5.0	151,200	18,900	400	150
8. Michigan Sugar Co.	83,400	3.2	96,800	13,400	200	100
9. Monitor Sugar, Division Rob. Gage Coal Co.[3]	40,300	1.5	45,400	5,100	100	45
10. Buckeye Sugars, Inc.[3]	15,300	.6	18,100	2,800		
11. The National Sugar Manufacturing Co.[3]	8,000	.3	9,100	1,100		
12. Empire State Sugar Co.[4]	8,000	.3	9,100	1,100		
Total	2,650,000	100.0	3,025,000	375,000	7,500	3,000

[1] Short tons raw value, rounded figures without giving effect to national reserve provisions of H.R. 11135.
[2] Largest raw cane sugar refining company.
[3] Nonaffiliated single-plant company.
[4] Plant under construction in fall of 1965. Subsidiary of Pepsi-Cola which owns and operates a raw cane sugar refinery.

Senator LONG. The next witness is Mr. George Grant representing the Ministry of Industry of Thailand.

Mr. Grant, you have a statement here we will have printed in full and I will ask you to summarize your statement because you won't be able to read your whole statement in the time allotted to you.

STATEMENT OF GEORGE GRANT, REPRESENTING THE MINISTRY OF INDUSTRY OF THAILAND

Mr. GRANT. Thank you very much, Mr. Chairman, and members of the committee. My name is George M. Grant. I appear before you today on behalf of the Ministry of Industry of Thailand. At the same time, I have prepared a very short statement summarizing the reasons and justification for Thailand's petition for a U.S. annual statutory sugar quota of 85,000 tons. I shall file a more detailed statement for the record.

Mr. Chairman, let me state I shall not request that the record be made much larger than it already is, but I have handed a statement of a reprint from the New York Times of August 25 and one from the Wall Street Journal, and also another small booklet that has been given to each member, and I hope if you have time that the members of the committee may have an opportunity to read those.

Senator LONG. We will print this article that you have in mind but the book I think would be a little bit too bulky.

Mr. GRANT. Yes. I don't ask that that be in the full statement—as you stated—thank you very much.

Senator LONG. The article from the New York Times will be printed.

(The article referred to follows:)

[From the New York Times, Aug. 25, 1965]

SUKARNO ACTS WITH CHINA TO OUTFLANK WEST IN ASIA

This is the first of three dispatches on Indonesia by a correspondent of the New York Times who recently completed a visit to the southeast Asia archipelago.

(By Seymour Topping)

HONG KONG, August 24.—President Sukarno of Indonesia has reached an understanding with Communist China that will bring increasing pressure to bear on the defense of the Western powers in southeast Asia.

Diplomatic observers in Jakarta are convinced that Peiping intends to employ its new Jakarta axis to outflank containment positions set up by the United States in countries such as Thailand, Laos, South Vietnam, and Taiwan.

Well-informed Indonesian sources said that the Jakarta government had pressed Peiping for facilities and resources to explode a nuclear device. This is the background to recent hints by President Sukarno and other Indonesian officials that the country will soon have its own atomic bomb.

Opinion is divided among Western experts here as to whether the Chinese Communists will yield to the Indonesian wishes for a test intended to enhance Jakarta's prestige among the uncommitted African and Asian countries President Sukarno aspires to lead.

SPECULATION ON ATOM TEST

One view is that Peiping might set off a nuclear blast on one of Indonesia's 3,000 islands but retain complete control of the test and the resources employed. Other specialists on Chinese affairs believe that Peiping is too cautious to hazard the practical problems involved in such a test or its worldwide political repercussions.

In his August 17 speech, President Sukarno spoke of building an axis linking Indonesia, North Vietnam, Communist China, and North Korea. Cambodia was included to give this envisioned working alliance a pan-Asian rather than largely Communist character.

However, Prince Sihanouk, the Chief of State of Cambodia, has not welcomed this arbitrary inclusion of his country in the Sukarno axis. Although he is leaning to Peiping in deference to the Chinese Communists' power, Prince Sihanouk has been more reserved than the Indonesian leader. Cambodia manifested her independence by recognizing the Government of Singapore shortly after the island's separation from Malaysia.

INDONESIA SEEKS LEADERSHIP

President Sukarno has moved his nation into alinement with Communist China because he feels that the interests of both will remain parallel in the coming years. The Indonesian leader wishes to see Western influence excluded from southeast Asia so that his country, the largest and most populous of southeast Asia, can assume what he believes to be a natural role of leadership in the region.

Experienced observers believe the Indonesian leader's aspirations for preeminence embrace the remaining states of Malaysia—Malaya, Sabah, and Sarawak—as well as Singapore, the Philippines, Portuguese Timora, and eastern New Guinea, which is a territory of Australia. Under the Indonesian blueprint, these areas would enjoy varying degrees of independence, but they would be expected to consult Djakarta on foreign policy and defense matters.

The United States, after having given Indonesia $700 million in economic and military aid, finds itself powerless to dissuade the Djakarta Government from its present course. President Sukarno has veered sharply toward the Communist camp not only because of foreign policy considerations but also because of his expressed determination to guide this nation of 100 million people toward a Marxist type of society.

JOINT ACTION DISCUSSED

Marshall Green, the new U.S. Ambassador in Djakarta, can only remain aloof from Indonesian politics and hope that internal developments will one day again provide an opening for the exercise of Washington's influence: The harassed diplomat has assumed a firm position in attempting to avert the confiscation of the remaining American business interests and the Communist-led demonstrations against the Embassy and its consular offices.

Indonesian officials say the eviction of the United States as well as Britain from southeast Asia is the goal of Djakarta's program of cooperation with Peiping.

Joint action in political, military, and economic fields was discussed during the recent visit of Marshal Chen Yi, the Chinese Communist Foreign Minister, to Djakarta.

In private talks with Foreign Minister Chen, Dr. Subandrio, the Indonesian Foreign Minister, agreed to withhold recognition from newly independent Singapore and to press Djakarta's "confrontation" campaign against the remaining states of the Federation of Malaysia.

Peiping and Djakarta hope to persuade Singapore to impose limitations on the use of British bases there with the aim of eventually compelling the Commonwealth to transfer its Far East defense center to Australia.

The joint policy decided upon by Indonesia and Communist China also provides that eventually pressure will be exerted on United States bases in the Philippines and other Western defenses in the region.

In a recent news conference, President Sukarno said that he was interested in extending the concept of "Maphilindo" to Thailand, Cambodia, Singapore, and the states that share the island of Borneo with Indonesia—Sabah, Sarawak, and Brunei. Maphilindo originally was conceived of as a loose union of Malaya, the Philippines, and Indonesia, which are related ethnically and linguistically.

"DEMANDS OF HISTORY"

At a seminar of senior naval officers on August 4, Lt. Gen. Achmad Yani, army chief of staff, stated that "our defense conception must cover all of southeast Asia." He said that Indonesian kingdoms had maintained hegemony over southeast Asia for centuries through control of the seas.

"The Indonesian nation and people will not ignore the demands of history," he said, "and it has been my conclusion since 1963 that at some time the Indonesian Navy will take over the role of the United States 7th Fleet and the British Far Eastern Fleet in southeast Asia."

Gen. Abdul Haris Nasution, the Defense Minister, said at the same seminar that the strategic goal of the armed forces must be to knock out the British bases at Singapore and break out of the containment represented by the British-protected Federation of Malaysia.

The speeches at the seminar might evoke chuckles when contrasted with the offensive capability of the 25,000-man Indonesian Navy and its centerpiece, the often-immobilized cruiser *Irian*, which was donated by the Soviet Union. Inadequate logistical support has sharply curtailed the use of the Navy and of the small jet air force, which is largely Soviet equipped.

But military and diplomatic observers in Djakarta are not amused. They point out that with pinprick guerrilla raids against Malaysia, particularly Sabah and Sarawak, the Indonesians have tied down 50,000 Commonwealth troops and the bulk of the British Far Eastern Fleet.

If the British defenses at Singapore are unhinged and if Malaysia becomes completely split, as the Indonesians plan, a pertinent question—in some instances already being asked—will be: "Who is next?" Djakarta, motivated by its dream of a greater Indonesia and by the need for foreign adventures to divert attention from domestic economic woes, is expected to move smartly on its next target.

The Australians already are looking apprehensively to their eastern New Guinea territory, the Portuguese to their island of Timor, and American officials to U.S. bases in the Philippines.

The Philippines exposed to infiltration from neighboring Indonesian islands, are the site of principal United States air and naval bases in southeast Asia. The Indonesian Army of about 350,000 men has limited conventional offensive capability, but it could land guerrilla units in the Philippines without great difficulty.

In the successful campaign against the Dutch that resulted in the annexation of West Irian (Western New Guinea) in 1962 and in the confrontation against Malaysia, Djakarta has made successful use of a combination of political pressure and the threat of guerrilla forays.

FEAR OF PEIPING SUBSIDES

The Chinese Communists' diplomacy in the last 18 months has wooed President Sukarno and Foreign Minister Subandrio from their earlier view that Peiping represented an ultimate danger to the independence of Indonesia. The prevalent view in Djakarta now is that Indonesia will gain from traveling on a parallel course with Peiping, and that once Western influence is expelled from the region the two countries will be able to arrive at a satisfactory accommodation.

In company with this fundamental change in outlook there has been gradual erosion of the Soviet role in Indonesia. Soviet diplomatic officials, after dispensing about $1 billion in military aid, now complain of their growing isolation from the Indonesian leadership.

A reliable Communist source said that a serious dispute developed last year between the Soviet and Indonesian Governments when Moscow balked at demands to intervene strongly against the British in the dispute over Malaysia. The Indonesians were said to have threatened to expel more than 700 Russian military technicians and to replace them with Chinese Communists familiar with Soviet weaponry.

The Indonesians did not follow through on their threat, but relations have deteriorated, with Peiping encouraging Djakarta to take a tough stand against Moscow.

The bitterness of Soviet officials also has been heightened by the refusal of Indonesians to adhere to an agreed schedule of debt repayment, although Djakarta has been servicing its debts to the United States and other countries.

COMPLAINTS OF SLOWNESS

The Indonesians have complained of Moscow's slowness in the delivery of spare parts for Soviet equipment and of the failure of the Russians to furnish equipment that can withstand tropical conditions.

The Chinese Communist aid program has been a modest one. Peiping is committed to a program of $108 million in economic assistance, mostly for construction and light industry projects. Only about $40 million of this has been drawn. The Chinese Communists are known to have about 40 technical advisers in Indonesia.

Soviet economic aid totals $270 million, with about $100 million drawn. More than 200 Soviet technicians are in the country assisting in the construction of steel mills and other industrial projects.

Despite the importance of Soviet economic and military aid, President Sukarno has sacrificed the goodwill of Moscow to collaborate closely with Peiping, the Kremlin's ideological competitor. In making this decision, the factor of race, as well as the affinity of regional and political interests, has counted heavily.

HSINHUA REPLACES TASS

Within Indonesia, this trend is also discernible in the replacement of Tass, the Soviet press agency, by Hsinhua, the Chinese Communist agency, as the most influential foreign dispenser of news to Indonesian periodicals.

Within the last 18 months and particularly this year, Indonesians of Chinese extraction have become more prominent in the country's governmental and mass political organizations.

On the local level, traditional discrimination still is practiced against the Chinese, who dominate much of Indonesia's trade and industry. There are about 3.3 million people of Chinese descent living in the country. But on a high governmental level, a new tolerant attitude toward the Chinese is being preached.

President Sukarno has appointed Oei Tjoe Tat, an Indonesian citizen of Chinese ancestry, to be Minister of State attached to the Presidium of the Cabinet. A strong leftwing Dutch-educated official who is a dominant figure in the national Chinese organizations, Mr. Oei has risen within a year to a position of trust with President Sukarno. He is reported to have assisted the President in drafting some sections of his speeches.

Mr. GRANT. Mr. Chairman and members of the committee, Thailand with a few minor exceptions has ruled itself for about a thousand years. Unlike its neighboring nations which have all been colonized by Western Powers at one time or another traditionally and historically Thailand has been the friend of this Nation.

Today the Thai people are not only our stanchest friends and loyal allies but a major bulwark against Communist aggression in southeast Asia. It is well to have preference for Western Hemisphere sugar supplies, but this is certainly one major exception. Thailand is on the front line of attack in southeast Asia.

Before you is a map of southeast Asia. I believe there was some philosopher, perhaps Confucious, but a Chinese philosopher, many years ago stated that a picture was worth 1,000 words, and I certainly think that is true in this statement.

Here this Nation is making a stand in Vietnam where we have committed and my statement said 125,000 troops but we know there are many more there today to prevent a Chinese takeover of South Vietnam. Here is strife-ridden Laos, here is hostile Cambodia down here, which has recently broken diplomatic relations with this Nation. Both are neutral, and I say neutral advisedly, and both waiting to decide which way to jump.

Here is the North Vietnam border, less than 100 miles from Thailand, and here is Ho Chi Minh Trail only 50 miles from Thailand. Here is Burma hanging by a thread between independence and submission to Red China, and here is Thailand.

As you see, this friendly ally stands directly in the path of Red Chinese conquest, blocking the way to Indonesia, which is already leaning toward communism, to Malaysia, a friendly and newly independent nation. Here to the Philippines, which only recently crushed a still latent communistic movement.

Thus, gentlemen, the United States must lean heavily on Thailand to protect its flanks, so to speak. Most U.S. officials recognize this.

This 180-mile Mekong Trail river frontier is crossed daily and recrossed by Pathet Lao forces and numerous clashes between armed bands of Communists and Thai police have recently occurred. Peiping has served formal notice that Thailand is the next target for its so-called liberation. Thus we have a desperate race between the United States and the Thai Government to build an economy on one hand, and Red China's subversive drive on the other.

By a simple legislative measure, you gentlemen will assist immensely in this concentrated effort. A sugar quota for Thailand will be a contribution to a major segment of their economy. The Thai industry represents an investment of over $110 million and a source of income for more than 100,000 workers affecting over half a million dependents. We here have this ideal opportunity to serve dual-worth purposes, obtaining our sugar requirements and at the same time helping a most valuable ally and supporter.

Thailand is a very good customer of the United States. Gentlemen, listen to this: It has an unfavorable trade balance with the United States in a 1-to-4 ratio. Thailand imports almost all of her tobacco and cotton needs from the United States.

I would like to point out that Thailand in 1963 in their imports of the U.S. agricultural commodities exceeded those of 12 combined nations which have sugar quotas given to them by this Nation. So, this is not an idle gesture, when I make the statement that Thailand is one of the best customers of this Nation.

In all fairness, I do not believe that we should turn our back on a cash customer in time of need, a customer whose destiny is also the destiny of the U.S. effort in that area. Thailand does not want grants and deals. The Thai Ambassador and Foreign Minister have repeatedly stressed that Thailand wants to help itself. This is a historical characteristic of these hard working people.

Right now, Thailand needs support for a sugar industry which is growing too fast. With the exception of rice and several minor agricultural products such as tapioca, Thailand has only begun development of its agricultural commodities in earnest over the last 10 years.

This development has been encouraged directly by the United States although through a technical assistance program in its efforts to raise the prosperity of this country. Only in very recent years has Thailand had an export surplus of sugar and only last year has this surplus been consumed.

Now, the surplus stands at approximately 100,000 tons. For immediate relief of this desperate situation Thailand has requested a special quota in 1965 of 20,000 tons in return for which it intends to purchase an equivalent value of additional U.S. tobacco. In addition to the statutory quota of 85,000 tons requested, if this Congress can find a way to grant in 1965 a quota it, too, will be of great value to the Thai economy.

Mr. Chairman, only a day or two ago on October 7, I noticed an AP report from Tokyo headed, "Peiping Tells Thai To Curb U.S. Activities."

And I just want to read one or two sentences which say:

> Red China warned today that growing subversive operations in Thailand will be intensified unless the Thai authorities cut back U.S. military funds in that country. The threat, the third this week to Thailand by China, was made by a commentator in the official Peiping people's daily. The article, broadcast by the new Chinese agency, charged that the Thai authorities have committed numerous crimes, they have dispatched personnel to the United States, war of aggression against South Vietnam, and allowed Thailand soil to be converted into U.S. bases for bombing the democratic people of North Vietnam.

Mr. Chairman, let me close in stating that this is a picture here, as I have shown it to you—you have a map of this section of southeast Asia on the statement that you have there—and as I say, this is the picture which expresses more than I can express in words.

Thailand is a translation of "Muang Tai," which means "Land of the free." With your help, it will remain free and make its full contribution to peace in southeast Asia.

Mr. Chairman, that concludes my short statement.

(The prepared statement of Mr. Grant follows:)

SUPPLEMENTAL STATEMENT SUBMITTED BY GEORGE M. GRANT, REPRESENTING THE MINISTRY OF INDUSTRY OF THAILAND

Mr. Chairman and members of the committee, my name is George M. Grant. I am appearing before you on behalf of the Ministry of Industry of Thailand, a Government entity responsible for supervision and promotion of sugar production in Thailand.

Thailand is keenly interested in the pending legislation to revise and extend the Sugar Act of 1948, as amended. This interest is somewhat of a novelty in comparison with those countries presently sharing in the U.S. sugar market; at the outset of my remarks I think it is best to point out two factors which differentiate Thailand from past sugar suppliers. First, Thailand has only recently attained a position as a net exporter of sugar. Because of this—and this is my second point—Thailand has never exported sugar to the United States with the exception of several shipments in the middle of the 19th century.

Thailand was extremely anxious to participate in the U.S. market this year, but such was precluded due to the administration's action in restricting the market to historical past suppliers.

It must be realized that Thailand's inability to export sugar until recent years was the result of an expanding industry attempting to satisfy the domestic requirements in Thailand. Once this objective was realized, continued investment in sugar production surpassed internal needs; in 1963 Thailand exported 50,000 tons of raw and plantation white sugar to nearby markets, after quadrupling their sugarcane production during the preceding decade. At the present time annual production approximates 330,000 tons of sugar. It is expected that the surplus of sugar available for export will be in the neighborhood of 160,000 tons this year.

This surplus is becoming critical and poses serious difficulties and probable adverse economic repercussions. Thailand urgently needs a stable price for a growing export which, in face of severe fluctuation in world price, cannot be an economically feasible commodity in the absence of a dependable market.

Furthermore, the current surplus of sugar has created critical political problems in the Thailand Government with regard to sugar production, by causing a decline in income and employment.

Since the Second World War, the proponents of the sugar industry have successfully impelled the industry to reach its present level of achievement. Costly investment in milling machinery and farm equipment, affecting thousands of laborers and farmers, now hangs in the balance, depending on the creation of a stable market for this increasingly important industry. A statutory sugar quota of 85,000 tons for Thailand would relieve a situation which is becoming distressingly malignant.

Allow me to introduce a few facts and comments on Thailand.

We are prone to consider the Kingdom of Thailand in the mystic romanticism of "The King and I." Indeed, this exotic flavor still lingers, but has been overshadowed by a new era of progressive outlook and economic advance. Thailand's 30 million inhabitants occupy some 200,000 square miles, a territory slightly smaller than France. The country consists mainly of a large central valley, bordered on the north and west by mountains, and on the south by the Gulf of Siam. The northeast section of the country, comprising about one-third of Thailand, is a high plateau region. Thailand's neighbors are, counterclockwise from the south, Cambodia, Laos, Burma, Malaysia. A multitude of streams and rivers interlace the topography, providing the vastly important network of water for irrigation and transportation. The major river is the Chow Phya, which shelters the capital city of Bangkok 16 miles upstream from its estuary.

Thailand's fertile valley abounds in vegetation due to the warm and humid climate. Chow Phya River Valley has three seasons, the longest being the rainy monsoon, extending from June through October; the monsoon is preceded by the hot season, and followed by a 3-month cool season, during which the temperatures dip to an average of 80°.

Thailand boasts a variety of ethnic groups. The industrious and commercially powerful Chinese account for 1.6 percent of the population, with other nationalities comprising about 0.2 percent.

The Thai people originally migrated southward along the banks of the Chow Phya and Mekong Rivers from China, finally settling in the Chow Phya Basin over a thousand years ago. During the following centuries Thailand developed a culture and a character of its own.

Peaceful times were disturbed in 1568, when the Burmese besieged the capital city of Ayudhya and dominated the country for 15 years. A successful counterattack dispersed the invaders, but further attacks from the northern and eastern neighbors gave the pacific Thai people a troubled century, but also endowed these ancestors of Thailand with a superb resilience to aggression.

In the 17th century Thailand was suddenly in the limelight of the Western World due to the rapid exploitation of the wealthy Indian trade. As a steppingstone to India, Thailand attracted much Western influence and became, in the eyes of Europe, one of the most important kingdoms in southeast Asia.

In the late 18th century the monarch, Rama I, moved the capital to Bangkok and formed a dynasty which has ruled Thailand since that time. In 1932 a bloodless coup d'etat terminated the centuries-old absolute monarchy and a constitutional monarchy was instituted.

The 19th century was the transition period, during which present-day Thailand took shape. British, French, and American influence were primarily present;

the British secured a leading rôle in Thai finances; the Americans, as arbitrators in a French-Siamese dispute in 1907, became traditional advisers in foreign affairs; and the French legal advisers were, to a certain extent, responsible for establishing the present judicial system of Thailand. Unlike its southeast Asian neighbors, however, Thailand has never been a colony of any European or Western power, despite numerous overtures throughout the centuries. Thailand's high regard for freedom is illustrated by the decision of King Rama VI to send Thai troops to France during World War I.

The Government of Thailand is an excellent model of stability and efficiency. A constant and uninterrupted history of government is of prime importance to a nation's development. Thailand has ruled itself for a thousand years.

Thailand's constitutional monarchy combines due regard for Thai tradition with a penetrating analysis of and borrowing from European and American sources. The King is assisted by a privy council, an office of the royal household, and an office of His Majesty's Secretary General. All legislation is enacted by the Parliament, signed by the King, and countersigned by the Prime Minister.

Recent transitory constitutions have endowed the Council of Ministers, the equivalent of our Cabinet, with the executive and administrative functions of Government. The Council is composed of ministers and deputy ministers, chosen by the Prime Minister, who presides at the weekly meetings. The constituent assembly has legislative power and provides a debating forum and accurate indicator of public opinion.

I was anxious, Mr. Chairman, to present this brief geopolitical and historical summary so that we all may have a more accurate understanding of Thailand and its way of life. We are all quite well informed on other southeast Asian regions, but I find many of us consider Thailand to be a nice little friendly country which doesn't require the close attention of neighboring Communist-infiltrated countries.

Thailand is small, yes, and friendly indeed, but never let us overlook its importance in the current Asian sphere of activities. The potential value of Thailand in assisting the reestablishment of a peaceful Asian bloc cannot be underestimated.

Thailand's total commitment to the free world is a stabilizing influence in a very critical area of the world which is presently the prime target of Communist subversion. There is little doubt that Thailand is on the Communist schedule for ultimate control; it appears that the timetable has been delayed due to "easier game" in neighboring countries. There is no doubt that the Government of Thailand has made, and will continue to make, every effort to repel Communist approaches, which are becoming stronger with each passing day. We are indeed fortunate to have an ally such as Thailand, whose very spirit and tradition is totally incongruous with Communist doctrine and ideology. In this area of upheavals and Communist subversion, Thailand is a unique working example of political and social stability.

Thailand's avowal to support freedom is evidenced by her membership in the United Nations Organization and its various agencies and the Southeast Asia Treaty Organization, which has given eminence to Thailand by selecting Bangkok as the seat of the Organization. Further, Bangkok's magnificent Peace Hall (Sala Santhitham) contains the offices of the Economic Commission for Asia and the Far East. Thailand has always had total respect for its agreements and treaties, and has ever been ready to defend the principles of freedom and democracy.

Thailand's central location further emphasizes its importance in the Asian area. Bangkok is the natural hub of all air routes in the region—south down through the Malaysian Peninsula to Singapore and Jakarta; eastward to Tokyo, westward to India and the Middle East, and New York equidistant by either the eastern or western route.

Thailand occupies a position of vast strategic importance in addition to being an ideological bastion of freedom in a torn and struggling southeast Asia. The cold war, no longer so cold 100 miles to the east of Thailand in Vietnam, makes the Thai people sharply aware of increasing pressures and the supreme importance of maintaining a free society in a free country.

In the face of external pressures a growing and stable economy must be maintained. Thailand is well on the difficult road leading to economic independence and self-sufficiency, but for Thailand, as for any industrially emerging nation, the road is often slow and difficult. Presently the country is on the threshhold of success, and has reached the critical stage which is all important in the transition to a self-sustaining economy.

The metropolitan areas are flourishing with business activity and industrial growth. Serious efforts are being made to supplant the primitive agricultural techniques of the farmers with modern technology and mechanization.

Industrial expansion has been especially dynamic, having increased its output 10.9 percent in mining and 8.4 percent in manufacturing a year since 1958. Manufacturing has branched out to include various types of light and small industry. The basic rudiments of this upsurge, including additional electric power and communications facilities, are rapidly growing to support further expansion.

Agricultural wage earnings have risen 5.8 percent a year since 1958. Thailand's gross national product (GNP) is estimated to have doubled during the 1950–60 period, reaching the equivalent of about $2.7 billion in 1961. Per capita GNP is estimated at around $110, but this average is distorted by the fact that about 85 percent of the population is rural and thus satisfies many of its basic needs outside the money economy. By contrast, the Greater Bangkok area, with more than 2 million people, comprises a market of considerable purchasing power. Economic growth has been financed chiefly by export earnings from the nation's primary production: Agriculture, forestry, and mining. The annual rate of investment has been around $350 million, or nearly 15 percent of the GNP. The Government, committed to speeding up the pace of economic advance, has set up a national economic development board to plan public investment under the current 6-year plan and a board of investment to promote greater private industrial investment and attract more foreign venture capital. Private enterprise has been encouraged by the conservative fiscal and monetary policies that Thailand has pursued since the currency stabilization of 1955, which eliminated the multiple exchange reserves. The baht is now convertible with minimum regulation and has gained a reputation as a sound currency in international markets. Spending on economic development is being stepped up under the 6-year plan, but these outlays are to be covered by tightening tax collections, borrowing from the public, and foreign aid, rather than by deficit financing. The importance of agriculture to the Thai economy is indicated by the fact that it provides a livelihood for roughly 80 percent of the population and produces about 90 percent of the country's export earnings.

Most agricultural land is owner-cultivated, and Thailand's farmers are untroubled by tenancy or civil unrest. Apart from rice, the main commercial crops for the fast-growing domestic processing industries are corn, cassava, kenaf, sugarcane, rubber, and cotton. The land is still Thailand's greatest natural resource. At present, little more than 15 percent, or about 25 million acres, is under cultivation; of this only about one-ninth is covered by irrigation projects completed or under construction. There is much potential for agricultural development which could be realized by expansion of the cultivated areas, extension of irrigation and flood control, and the introduction of fertilizers and new cropping patterns.

The foregoing serves as a brief outline of the current economic situation in Thailand. It is in truth a recurring theme that any growing nation has experienced: the hesitant initiative, the throes of early development, the complexity of later industrial expansion—throughout which the focus is upon maximum utilization of natural resources.

Thailand's prime natural resource is the fertility of the soil; in essence, the economy is based upon agriculture. Knowing and understanding this, we must appreciate the dependency of Thailand upon its agricultural system.

Progress is often contingent upon innovation. Thailand, reliant upon, but not restricted to agriculture as its major earning power, has sought new crops to attain a twofold objective: a self-sustaining economy and an industrial expansion. The rapid growth of the Thailand sugar industry is the direct result of such innovation, although in fact, sugar production in Thailand gained significance 30 years ago.

It is interesting to note that during the first half of the 19th century, cane sugar was among Thailand's principal exports. During the latter half of the century, however, low world prices forced the sugar industry to nearly cease its activities. World War I, tariff protection since the 1920's, Government initiative since the 1930's, and World War II all stimulated the local industry and Thailand attained its present export position in 1961.

Sugarcane cultivation is distributed over 10 general areas scattered rather evenly throughout the nation. There are now 48 mills in operation, handling the cane production of more than 205,000 acres of land producing over 4,500,000 tons of sugarcane. The rate of return of raw sugar per hundred tons of cane harvested is 7.5 tons; the average yield of cane per acre is 18.3 metric tons.

Both the rate of return and the yield per acre are low in relation to other sugar-producing countries. This yield per acre could be increased through more efficient planting and harvesting techniques, as well as improvement of species of cane and use of fertilizers. The technical assistance program of the sugar industry aid fund is making some progress against these deficiences; it is essential that the cost structure of sugar production be reduced if the price of Thai sugar is to be made competitive on world markets.

The sugar industrial aid fund, established by the Government in 1961, provides both technical as well as financial assistance to the cane growers. The fund extends credit for 2 or 3 years for the purchase of equipment, sells fertilizers at reduced cost, and pays for agronomist services.

The recent construction of the majority of the sugar milling facilities indicates the new expansion of the sugar industry. Only 6 mills were built between 1937 and 1951, while 14 were established in 1957 alone; 11 more were put into operation during 1960 and 1961. Quite obviously substantial investment has been made in the sugar industry in recent years. The estimated domestic consumption of Plantation White cane sugar during 1963 was 135,000 tons; household users consumed over 80 percent of this total, with industrial users constituting the market for approximately 18 percent of the remainder. Exports of Plantation White and raw sugar totaled over 55,000 tons in 1963, with Japan importing more than half of this tonnage.

One of the major factors in the Thailand sugar industry is, of course, the price structure relative to cost of production and present average world market prices. Over the past few years substantial subsidies have been paid by the Thailand Government to sustain the sugar exporters, as production costs have exceeded the present depressed world market price for raw sugar. This situation is indeed a dilemma at the present time, as the promoters of the sugar industry are anxious to strive for a competitive export position. The only alternative would be severe curtailment of production and the simultaneous closing and dismantling of many of sugar mills, which of course, represent large investment. The repercussions of this measure would certainly be reflected in loss of income to all facets of the sugar industry, from the mill owner down to the small farmers dependent on cane sugar for their livelihood. A reversal in the sugar industry would cause irreparable harm to the economy in general and would create widespread social unrest.

As recently indicated, the sugar industry has expanded over the past 10 years in leaps and bounds. There are presently 5 Government-owned sugar factories, representing a total investment of $30 million, and 38 privately owned factories, the capital investment of which approximates $80 million.

In addition to the heavy financial obligations undertaken with the expansion of the industry, a large number of farmers switched their crops to cane sugar concurrently with the growth of the industry.

There are 38,000 individual sugarcane farm owners in Thailand, plus 19,000 mill, factory, and transportation workers. In addition there are 45,000 farm employees and laborers engaged in the sugar industry. Including 420 government officials, the total number of Thailanders deriving their income from the industry is 102,270. As there is an average of 5.6 dependents per family in Thailand, there are 570,000 Thailanders dependent upon the growing and milling of sugar for their daily needs of sustenance.

Almost all sugar farmlands in Thailand are owned by the farmers, with the exception of about 2 percent under sugar factory and Government ownership. The government seeks only to assist the farmer by providing current technical advice and financial assistance, during the early part of the growing season, when operating funds are short.

I would like to present a summary comparison of the income levels prevalent in Thailand. Industrial wages, as is generally true throughout the world, are far higher than farm income. The mean industrial wage in the urban areas is about $35 per month, as compared to the average farm income of the sugarcane grower of $17 per month, or half the industrial wages per harvesting season. Furthermore, the sugarcane farmer cannot utilize a two-crop rotation system, which is often used by other crop growers to provide a double harvesting season and, subsequently, double income. The rotation system has been used with tremendous success by the maize growers; maize production has increased tenfold over the past 6 years, and this year Thailand should reach an annual production of maize over 1 million tons.

Quite obviously the sugarcane farmer requires a higher price for his sugarcane, which is naturally essential to keep the mills and factories in operation. The present procedure of the industry is an overall subsidy system, whereby taxes on the milling output are used towards supporting the export price of raw sugar. A quota in the United States would allow a general wage increase for all factors of the industry.

This critical period can be alleviated by granting a statutory sugar quota of 85,000 tons to Thailand. The Government of Thailand has in the past and will in the future, make all efforts to stabilize the sugar industry, for too much has been spent already to forgo the future and close down the milling facilities. Even in the face of adverse market conditions, this policy has consistently been reaffirmed by the Thai Government. But without a U.S. sugar quota it is impossible to compete with the depressed world market price structure, largely the result of global "dumping" practices.

I would like to emphasize that Thailand does not intend to rely in the future solely on the U.S. market if a quota is granted. Thailand is fully aware of the fact that Cuba's return as a source of sugar to the United States will reduce if not remove U.S. foreign quotas. It is firmly and sincerely believed, however, that the sugar industry in Thailand is experiencing only temporary difficulty and will shortly succeed in competing in worldwide markets. This is no idle statement; indeed, the recent heavy Government expenditures toward success of this priority industry will bear out the assurance that the farsighted program will soon be realizing the benefits of the recent increased investment.

A sugar quota for Thailand would serve also to stimulate and encourage expanded international trade. In 1964 Thailand imported over $115 million worth of U.S. products, of which $17 million was agricultural commodities. In 1964, U.S. imports from Thailand approximated $27 million, representing an unfavorable balance of trade for Thailand in excess of a 4-to-1 ratio. Such a ratio is naturally detrimental to a growing country dependent upon foreign exchange earnings for industrial expansion.

A sugar quota for Thailand will contribute to one of the major provisions of the Sugar Act: "To promote the export trade of the United States." Thailand has indicated its willingness to increase volume of trade with the United States.

As a comparison with present sugar quota countries, I would like to point out that Thailand's 1963 imports of U.S. agricultural commodities exceeded those of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Haiti, Ecuador, Paraguay, British Honduras, French West Indies, and the Fiji Islands—more than half of the countries which participated in the statutory quota system over the past 3 years. Furthermore, all of Thailand's imports of agricultural commodities were for cash. Thailand's principal exports include rice, rubber, tin, maize, teak, and tapioca products. Major imports are petroleum products, iron and steel, motor vehicles, and industrial machinery.

We are not unaware of the pressures being exerted to restrict foreign sugar suppliers to Western Hemisphere nations. Thailand understands the strengthening of the economic base derived from the U.S. sugar quota system, and strongly desires to participate in these mutual benefits, whereby the supplier earns funds for capital development and the United States is assured a steady and stable sugar supply.

Thailand has historically relied in large part upon its own efforts and resources for development, and its achievement in this direction has been most encouraging. During fiscal year 1963, there were eight countries having U.S. statutory sugar quotas which received more financial assistance from AID than did Thailand. Thailand does not wish to rely solely upon foreign donations for industrial development. This policy of "self help" would be much strengthened by a statutory sugar quota, which would provide an outlet for sugar at a remunerative price.

I cannot overemphasize the strategic importance of Thailand, in both foreign policy and military considerations. Present foreign quota sugar suppliers, including the Republic of the Philippines, enjoyed in 1964 a U.S. market of over 4 million tons; in requesting a quota of 85,000 tons, Thailand asks only for a mere pittance of 2 percent participation in the U.S. market from foreign sources. In order to relieve the present surplus, Thailand also requests a 1965 quota of 15,000 tons, to be delivered before the end of this year. Approval of these small requests will indeed be a timely indication by the United States of its continued support of a small but infinitely important country, a strategically invaluable outpost in an area of the world stricken by Communist pressures. We know well the U.S. cost of maintaining and protecting neighboring lands from attack and aggression, and we all hope and pray that Thailand will never need the machinery of war to protect its boundaries from invasion. Granting Thailand's request for a nominal sugar quota would indeed provide the machinery for peace and future prosperity.

May I thank you, Mr. Chairman and members of the committee, for the privilege of appearing before you and presenting Thailand's petition for a statutory sugar quota. I shall be pleased to answer any questions you may have to the best of my ability. Thank you.

Senator LONG. May I just ask you about this matter, Mr. Grant?

What did the administration recommend, that is the executive branch recommend, for Thailand?

Mr. GRANT. That is one reason I am here, Mr. Chairman. The administration did not recommend anything. In fact, so far as I know, there was no contact made. I notice from the testimony here yesterday, that no one had been allowed or no one representing any country had contacted the Agriculture Department, and——

Senator WILLIAMS. Did appear before the House committee?

Mr. GRANT. Yes.

Senator LONG. Let me ask you this further. You once served on the House Agriculture Committee, did you not, Mr. Grant?

Mr. GRANT. Yes.

Senator LONG. As a practical matter, you have read some of the criticism such as this vicious cartoon that appeared in the Washington Post today, attacking the House Agriculture Committee because they made some changes in the administration's recommendations of quotas. You and I know as a practical matter there wouldn't be a whisper from the administration if somebody down in the Department of Agriculture had recommended a quota for Thailand.

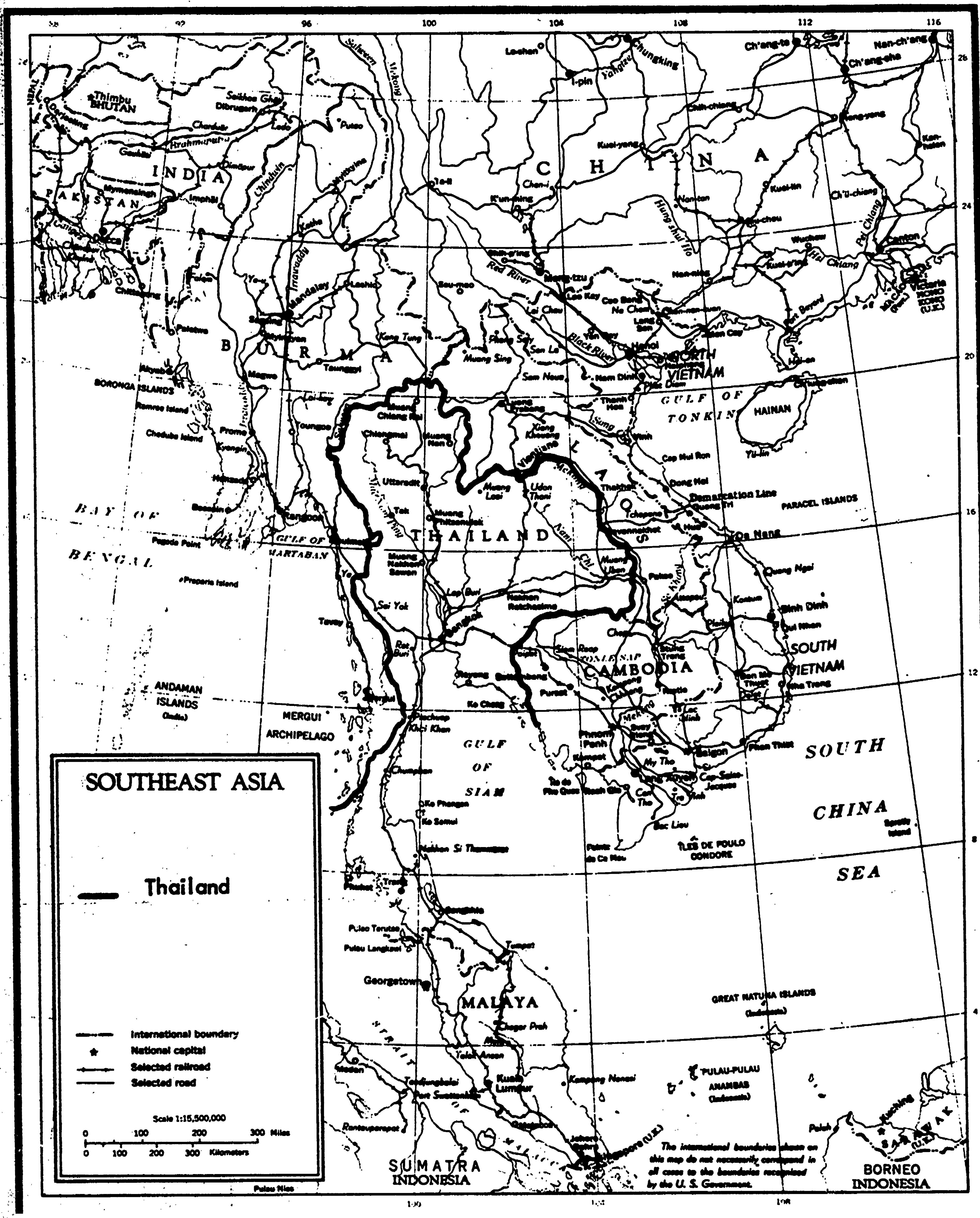
Mr. GRANT. Yes.

Senator LONG. Oh, the criticism apparently comes that the committee in its wisdom saw fit to do something that the Department of Agriculture had not recommended. I would invite your reaction to that. What is your attitude in regard to that?

Mr. GRANT. I think, frankly, in view of world conditions, in view of this map here, it would be tragic, and I am speaking only of the people that I am attempting to represent, to say to them, "Because you are not in the administration bill, you should not be considered."

Senator LONG. In other words, while I have taken no position at all with regard to the quota for Thailand, I am frank to say that under the separation of powers I would hate to think that the day had arrived when the Congress can do nothing but say either yes or no to an administration recommendation. I should imagine that the Congress still has the power to amend a suggestion that comes down from the White House or from the Department of Agriculture or even the Department of State. It does dismay me somewhat, whether I agree with it or not, to see people come up here and suggest that there is something corrupt or criminal about the fact that somebody offers an amendment to a bill. I do say with regard to your position or anyone else's, if you or they want to come and suggest to Congress that we should do something at variance with what the administration has recommended, you have a perfect right to do so.

Mr. GRANT. Well, Mr. Chairman, I have no criticism of the administration. Perhaps this was not called in the right manner to their attention and certainly, I didn't—I haven't had any opportunity to. But I notice in this committee print here issued by the Senate that



SOUTHEAST ASIA
Thailand
International boundary
National capital
Selected railroad
Selected road
Scale 1:15,500,000
0 100 200 300 Miles
0 100 200 300 Kilometers
The international boundaries shown on this map do not necessarily correspond in all cases to the boundaries recognized by the U. S. Government.
INDIA
BURMA
CHINA
THAILAND
LAOS
CAMBODIA
NORTH VIETNAM
SOUTH VIETNAM
MALAYA
HAINAN
BHUTAN
PAKISTAN
BAY OF BENGAL
GULF OF MARTABAN
GULF OF SIAM
GULF OF TONKIN
SOUTH CHINA SEA
ANDAMAN ISLANDS (India)
MERGUI ARCHIPELAGO
PARACEL ISLANDS
GREAT NATUNA ISLANDS (Indonesia)
PULAU-PULAU ANAMBAS (Indonesia)
ÎLES DE POULO CONDORE
SUMATRA INDONESIA
BORNEO INDONESIA
SARAWAK (U.K.)
Demarcation Line
Thimbu
Chungking
Kun-ming
Canton
Hanoi
Haiphong
Vientiane
Bangkok
Rangoon
Mandalay
Phnom Penh
Saigon
Da Nang
Hue
Kuala Lumpur
Georgetown
Singapore (U.K.)
Kuching
Victoria
HONG KONG (U.K.)
Chiang Mai
Chiang Rai
Udon Thani
Nakhon Ratchasima
Songkhla
Nakhon Si Thammarat
Phuket
Prachuap Khiri Khan
Chumphon
Ko Samui
Ko Phangan
Ko Chang
Tavoy
Moulmein
Mekong
Salween
Irrawaddy
Chindwin
Brahmaputra
Red River
Black River
Yangtze
Hsi Chiang
Tonle Sap
Pulau Langkawi
Pulau Terutau
Pulau Nias

there is a statement made that the "Sugar Act of 1948, as amended, is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices and to promote international trade."

If there is an example of international trade between this Nation and other nations, this is it. Further on under the caption of "How the Act Works," it stated that in authorizing such global importations special consideration was to be given to countries of the Western Hemisphere and to those countries purchasing agricultural commodities.

Senator LONG. Senator Carlson?

Senator CARLSON. Only this, we are very happy to have Mr. Grant before our committee. It has been a pleasure to have worked with him when he was on the other side for many years and I am delighted he is here this morning.

Senator TALMADGE. Mr. Chairman, I merely want to echo what our distinguished colleague from Kansas, Senator Carlson said. We have missed George Grant at our agricultural conferences and it is a pleasure to see him back in Washington.

Mr. GRANT. Well, thank you so much. Of course one never knows in politics what can happen. I never had a thought that I would be appearing before the Senate Finance Committee. But I thank you gentlemen so much for your consideration.

Senator LONG. We are very happy to have you, Mr. Grant.

Mr. GRANT. Thank you.

Senator LONG. The next witness will be Mr. Edwin H. Seeger representing the Peruvian Sugar Producers Association.

STATEMENT OF EDWIN H. SEEGER, REPRESENTING THE PERUVIAN SUGAR PRODUCERS ASSOCIATION AND THE FEDERATION OF WORKERS OF PERU

Mr. SEEGER. Mr. Chairman, my name is Edwin H. Seeger. I appear for the Peruvian Sugar Producers Association, a voluntary association of sugar producers of Peru, and for the Federation of Workers of Peru representing the sugar workers of Peru. I have filed a long formal statement with the committee and will just give a very brief summary of that.

I recognize that other witnesses have canceled their appearances. We would have, too, except we felt it important to emphasize the amount of the cut in Peru's historic sugar exports to the United States involved in the administration's bill, and our feeling that the bill is really quite unfair to Peru.

In 1962, the Congress accorded Peru a parity quota equal to the quotas accorded to Mexico and the Dominican Republic as the three largest suppliers to the United States after Cuba and the Philippines. This was after 20 years of history in which Peru had been the third largest supplier after Cuba and the Philippines.

Over the period 1961 to 1964 Peru exported an average of 440,000 tons of sugar annually to the United States. Under the administration's bill Peru's future exports to the United States would be 240,000 tons, about a 45 percent cut in its traditional exports.

Now, Secretary Mann said yesterday that, "I don't think we ought to allocate sugar solely on the basis of 1963–64 shipments." And he also said, "We should base allocations on traditional patterns of trade."

Well, the administration's bill does base the sugar allocations solely on the basis of 1963–64 shipments. We haven't found any exceptions to that and in Peru's case it ignores traditional trade.

The particular problem for Peru is that the whole point of the administration's bill is to reward countries that shipped over quota in 1964. The problem is that you only have a hundred percentage points to hand out and when you add a percentage point to one country, you reduce it from another which means you cannot reward one country without punishing another.

In 1965, every country was rewarded for its shipments over quota in 1964. In addition to that, Peru has received its punishment, if punishment is what it deserves. It has been cut down to 250,000 tons in 1965. Every single sugar estate in Peru is losing money this year. Two of the local unions that were once members of the Federation of Workers of Peru, which is a stanch anti-Communist union, have gone over to the Communists. This is occurring at the very time the Government of Peru is fighting Communist-led guerrilla movements in the Sierras and at the same time has its own war on poverty. It is a democratic government. It believes in free enterprise.

Sugar is essential to Peru. It is the second largest export commodity, agricultural export commodity, and Peru second only to the Dominican Republic, is the most heavily dependent of the Latin American countries on sugar exports.

Our feeling is that the net thrust of the administration's bill is to deprive Peru of its historic position in the U.S. market with substantial disadvantage to Peru and no benefit to the United States because the reduction in Peru's sugar quota is simply reallocated to other countries, many of which have other preferential markets or simply don't need U.S. trade as Peru does.

In conclusion, while we have a long explanation of this point in our formal testimony, I do want to point out that when we ask for the restoration of our traditional sugar quota, our request is not a one-way street. The United States is Peru's principal trading partner. The United States has a favorable balance of payments with Peru, which is not true of many other Latin American nations, and Peru, in turn, has over the period of years encouraged the further development of U.S. business interests in Peru.

Finally, if the committee is concerned at all about where other countries stand in relation to the U.S. goal, Peru was the first Latin American country to break with the Axis, it was the first to sever relations with Castro, and it has been a partner of the United States for as long as anybody can remember.

That concludes my testimony.

(The prepared statement of Mr. Seeger follows:)

SUPPLEMENTAL STATEMENT OF EDWIN H. SEEGER, REPRESENTING THE PERUVIAN SUGAR PRODUCERS ASSOCIATION AND THE FEDERATION OF WORKERS OF PERU

Mr. Chairman and members of the committee, my name is Edwin H. Seeger. I appear for the Peruvian Sugar Producers' Association, a voluntary trade association of private sugar producers who have no connection with the Government of Peru and are not subsidized by that Government, and the Federation of Workers of Peru, a free trade union representing some 50,000 Peruvian sugar workers.

Because of the profound impact of this legislation on the people and economy of Peru—historically one of the major sugar suppliers to the United States—the association and the federation deeply appreciate the opportunity to be heard by this committee.

We take no position on domestic marketing quotas for we regard this as a matter of internal U.S. policy. But insofar as the allocation of foreign sugar quotas is concerned, our position is that (*a*) the bill proposed by the Department of Agriculture is unfair to Peru and to Latin America; and (*b*) the bill recently passed by the House of Representatives is a distinct improvement over the Department's bill but nonetheless deprives Peru of its historic position of parity with Mexico and the Dominican Republic to which Peru would be entitled under the very standards adopted by the House Committee on Agriculture for the allocation of foreign quotas.

The House wisely rejected a proposed amendment that would have established an import fee on sugar with damaging effects on the Latin American countries that export sugar to the United States. The bill passed by the House would allocate to the Alliance for Progress nations, none of which has a preferential sugar market other than the United States, between 100,000 and 175,000 more tons of sugar yearly, depending on the level of domestic consumption, than would the Department's bill, which would allocate most of this tonnage to countries able to sell sugar to Britain or France at a price virtually equal to the U.S. price. Furthermore, the House bill would restore part of the disastrous 45-percent cut in Peru's historic sugar quota proposed by the Department of Agriculture. Finally, the bill properly discards the narrow, mathematical formula employed by the Department, enunciating instead three rationale bases for foreign sugar quota allocations: "(1) Ability of the supplying country to provide sugar [in time of need]; (2) the development of foreign trade; and (3) the friendly relations of the countries involved."

We submit that, while it is an improvement over the Department's proposal, the House bill fails to apply the foregoing criteria to Peru. We suggest that the Senate should do so and that, on the basis of these criteria, Peru deserves to be accorded in the 1965 act the same parity position with Mexico and the Dominican Republic that Congress accorded Peru in the 1962 Sugar Act.

We further submit that the Department's bill is manifestly unfair to Latin America in general and to Peru in particular.

1. *The Department's bill is contrary to the promise President Johnson made only 2 months ago that the United States would "try to maintain a regularly expanding market for the sugar that is produced by Latin America."*—Far from maintaining an expanding market for Latin American sugar, the bill would reduce Latin America's share of the foreign quota from 77.8 percent under the 1962 Sugar Act to 68.3 percent, a reduction of over 600,000 tons.

2. *The bill would harm many Latin American countries but it would harm Peru most.*—It would deprive Peru of the parity with Mexico and the Dominican Republic which historically it has had and which Congress accorded Peru in the 1962 Sugar Act. It would cut Peru's sugar trade with the United States, Peru's only preferential market, from a 1961–64 yearly average of 440,000 tons to only 240,000 tons, a reduction of 45 percent.

3. *The bill would cause the most harm to the country that can least afford it and that least deserves it.*—Of those adversely affected by the Agriculture Department's bill, Peru is the one most dependent on sugar exports to the United States. Furthermore, this sharp reduction in sugar exports would occur at the very moment Peru's democratic Government is fighting Communist-led guerrilla movements in the Sierras and elsewhere. The increased unemployment in Peru's sugar industry that would inevitably follow the cut in Peru's sugar quota proposed by the Department will give further support to these movements.

Furthermore, by no standard does Peru deserve the treatment proposed by the Department. Peru has a long history of support of U.S. policies. It was the first Latin American country to break with the Axis and declare war on Japan, the first to break with Castro, and a country that has no trade, direct or indirect, with the Soviet Union or Red China.

Finally, the proposed cut does not square with U.S. aid policies. Peru is a country that U.S. officials consider in the forefront of those committed to social progress through self-help, within a democratic free enterprise system. And only recently, Under Secretary of State Thomas Mann emphasized that there should be "a direct relationship between U.S. financial assistance and the efforts made by recipient nations toward achieving economic growth and social progress."[1]

4. *The bill would benefit those least in need.*—Much of the sugar trade lost by Peru and other Latin American nations would be diverted to countries which already have other preferential markets in Britain and France and are able to sell sugar to these countries at a price virtually equal to the U.S. price.

5. *The only justification advanced for the Department's bill is no justification at all.*—The Department seeks to justify its bill on the ground that countries which shipped more sugar to the United States in 1964, when the U.S. price dropped below the world price, were promised they would be remembered in subsequent allocations of the sugar quota. The fact that Peru substantially exceeded its quota in 1964, and that its offer to do even better was turned down by the Department, is ignored. Also ignored is the fact that the Department's promise has already been kept. Every country which lost money by shipping to the United States in 1964 has more than recouped these losses in 1965. As stated by the House Committee on Agriculture at page 7 of its report on the present legislation, "any country which may have lost profits by shipments to the United States in 1964, when the world price was higher than the U.S. price, has more than regained those profits by the quotas assigned to it by the Department in 1965." As if this were not enough, the Department's bill would reward these countries many times over in the next few years.

The remainder of this statement develops the foregoing points in greater depth, with particular emphasis on (*a*) the impact of the proposed reduction in sugar export trade on Peru, and (*b*) how Peru measures up to the standards of self-help and social progres fostered by the United States through the Alliance for Progress.

Historically, Peru has been a major supplier to the United States

For many decades, Peru was the largest foreign supplier of sugar to the United States after Cuba and the Philippines. As appendix I shows, Peru supplied during many of these years over half of all foreign sugar, excluding Cuba and the Philippines. As late as the Sugar Act of 1956, Peru had the highest foreign quota after these other two countries. In the 1962 act, Peru, Mexico, and the Dominican Republic were given equal quotas.

During these decades, Peru invariably met its commitments, shipping each year to the United States at least its quota or its quota equivalent.

The drastic quota reduction proposed by the Department of Agriculture will have a severe adverse impact on Peru

Despite this history, the Department of Agriculture's bill proposes a 33-percent cut in Peru's quota compared to the 1962 act. It proposes to allow Peru to ship about one-half of the amount of sugar that Peru has on the average shipped to the United States in the years 1961–64. This sharp reduction proposed in Peru's annual sugar exports to the United States will seriously injure Peru's economy and deal a damaging blow to Peru's widely praised efforts to achieve the goals of the Alliance for Progress through self-help and with free institutions.

1. *Sugar exports are vital to Peru's economy.*—In recent years, sugar exports have represented over 11 percent of Peru's total exports, the second highest percentage in Latin America.[2] This in itself shows how important sugar exports are to Peru. In addition, however, the fact is that Peru is far more dependent on exports than many other Latin American countries. Total exports in 1964 amounted to 24 percent of Peru's gross national product, as compared with only 11 percent for Colombia, 10 percent for Brazil, and 6 percent for Mexico.[3]

Furthermore, as shown in appendix II, Peru consumes domestically a far smaller portion of its sugar production than any other country in Latin America, except the Dominican Republic. Peru must export over 63 percent of its sugar. Mexico must export only 23 percent of its sugar and Brazil only 10 percent. And Peru's sugar exports to the United States over the period 1957–64

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[1] New York Times, Aug. 17, 1965.

[2] "Selected Data on Sugar Under the Sugar Act of 1948, as Amended by the Sugar Act Amendments of 1962," House Committee on Agriculture, 89th Cong., 1st sess. (committee print, Aug. 16, 1965), p. 6, table III.

[3] Calculated from export data in International Financial Statistics (August 1965) and GNP data from Agency for International Development, Statistics and Reports Division, "Estimated Annual Growth Rates of Developed and Less Developed Countries" (R.C.W-138) (Apr. 5, 1965, p. 4, table 3a.

accounted for 10 percent of its total exports to the United States, far larger than the comparable 7.2 percent for Mexico and 3.6 percent for Brazil.[4]

Thus, the leverage which sugar exports to the United States exerts on the Peruvian economy is probably greater than is true of any other Latin American country. This makes even more severe the impact on Peru's quota—already the largest cut in tonnage of any accorded in Latin American country.

2. *Peru's sugar trade with the United States is not a one-way street.*—Peru is a good trading partner of the United States, buying more from the United States than the United States buys from Peru. As the Department of Commerce has pointed out, "The United States is Peru's principal trading partner."[5]

In 1964 the United States supplied 41 percent of Peru's imports, by value, an increase of almost 4 percentage points over the previous year. Peru in 1964 bought from the United States over four times as much as it bought from its next largest supplier.[6] U.S. sales to Peru in 1964 were 8.8 percent[7] of Peru's gross national product—far larger than the comparable 6 percent for Mexico.[8]

In terms of merchandise trade, Peru buys more from the United States than the United States buys from Peru,[9] and has done so every year since 1950.[10] Moreover, Peru's purchases from the United States are increasing at a rapid rate. The average annual increase between 1955–64 was 6.7 percent for Peru as against Mexico's 4.7 percent and Brazil's 4.6 percent.[11]

Peru's increasing trade with the United States has been accomplished despite a balance-of-payments relationship adverse to Peru and favorable to the United States. While computations of bilateral balance of payments are difficult, the best sources available, as appendix III shows, indicate that from 1960 through 1964 the balance of payments between Peru and the United States was every year favorable to the United States, ranging from $29 million in 1960 to $113 million in 1964.

In comparison, the U.S. payments position for the same period showed an average yearly balance adverse to the United States of approximately $168 million with Brazil and $160 million with Mexico.

The U.S. favorable balance of payments with Peru and its unfavorable balance with Mexico and Brazil, are in large measure the result of disparities in tourism and profit remittances.

In 1964, $727 million flowed out of the United States into Latin America through tourism. Of this amount, Mexico garnered 66 percent while the whole of South America received only 7.8 percent.[12]

On the other hand, a significant amount of the money flowing from Peru to the United States consisted of profit remittances by the U.S. companies having investments in Peru. In 1963 these remittances totaled $65 million, over 1½ times as high as profit remittances from Mexico and five times as high as those from Brazil.[13]

These facts not only point up the relative importance to Peru of sugar exports to the United States and the position of Peru as a good trading partner of the United States, but also give some indication of the kind of free economy that Peru has.

3. *Peru's free enterprise economy deserves the support of the trade opportunities made possible by the present legislation.*—In terms of those basic principles

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[4] Computations based on total exports to United States from U.S. Department of Commerce, Import Trade by Country, No. FT950–I, and sugar exports to United States from U.S. Department of Agriculture, Foreign Agricultural Trade for the United States for calendar years 1957–64.

[5] U.S. Department of Commerce, Overseas Business Reports (OBR 65–46) (July 1965), p. 18, table 15.

[6] Ibid., p. 19, table 15.

[7] Ibid., pp. 4, 18, table 12.

[8] U.S. Department of Commerce, Overseas Business Reports (OBR 65–55) (July 1965).

[9] The table, on pp. 47–48 of H. Rept. 1046, 89th Cong., 1st sess., on the Sugar Act Amendments of 1965, shows a 1964 balance of $23.2 million favorable to the United States.

[10] U.S. Department of Commerce, Overseas Business Reports (OBR 65–46) (July 1965). p. 18, table 12. As shown therein, for the years 1950 through 1964, the total trade balance in the United States favor amounted to $738.8 million.

[11] Computed from U.S. Department of Commerce, Export Trade by Country, No. FT950–E; Statistical Abstract of the United States (1965), p. 881, table 1245.

[12] U.S. Department of Commerce, Survey of Current Business (June 1965), p. 26, table 2.

[13] U.S. Department of Commerce, Survey of Current Business (August 1964).

of free enterprise which the U.S. policy is designed to foster, the U.S. Department of Commerce has said of Peru:

"To a degree greater than in most Latin American countries, Peru has confined itself to the traditional role of establishing the ground rules and regulations under which private enterprise operates." [14]

The importance of the private sector in Peru's economy is shown by the fact that private investment constituted 83 percent of the country's total fixed investment during the period 1960–63.[15] By way of comparison, in Mexico during the same period private investment accounted for only 57 percent of total fixed investment, while the average for all Latin America was 69 percent.[16]

The U.S. Department of Commerce states that:

"Peru has maintained a relatively high degree of economic stability, has avoided hampering governmental restrictions, and has enacted legislation designed to attract investments through tax incentives and other liberal provisions. The absence of exchange controls, the freedom of investors to repatriate capital and its earnings, and the enactment of liberal legislation * * * attest to the positive efforts made by the Government to attract private capital.

* * * * *

"The Government may expropriate private property only for reasons of public interest, and Peru has scrupulously observed this principle—having hardly any history of expropriation or nationalization of property." [17]

4. *Peru has steadily tried to create a better society for its people.*—Peru's free enterprise economy has achieved an annual rate of growth in gross national product per capita in the period 1960–64 of 3.7 percent, significantly larger than the Latin American average of 1.1 percent.[18] Peruvian labor—and sugar labor in particular—has shared heavily in this growth. To quote official U.S. sources:

"Peruvian labor legislation imposes on employers obligations which significantly affect the cost of labor.

* * * * * * *

"These fringe benefits have been estimated at 60 percent of the basic wage in the case of laborers and at 50 percent of basic salary in the case of employees." [19]

The Peruvian sugar worker is the highest paid agricultural worker in Peru, earning somewhere between three and six times the average wage in other sectors of agriculture. His wages, and the fringe benefits mentioned above by the Department of Commerce, put him above the average of industrial workers' pay of his country. Almost 100 percent of the sugar work force is employed the year around.

As noted earlier this statement is being submitted to this committee on behalf of the Federation of Workers of Peru, as well as the Peruvian Sugar Producers' Association. These workers have a deep interest in the outcome of this legislation. The secretary general of the federation has asked that I convey to this committee, on his behalf, the extreme concern of Peruvian labor over the proposed reductions in Peru's sugar quota. A statement by the secretary general is attached hereto as appendix IV. In his words:

"The sugar exports to the United States are the key to the increase in payroll and hospitals and schools and other fringe benefits which represent slightly over 100 percent improvement in the total remuneration in cash and other benefits since 1960.

"All of this is gravely threatened by the executive branch proposal for a permanently reduced volume of sugar exports to the United States in the new bill.

"Today, there are several union contracts pending renewal. By agreement between management and labor, the bargaining sessions have been put off until further notice, pending the outcome of the U.S. Congress action on the new sugar bill. This delay, plus some early signs of the economic crisis looming for the Peruvian sugar industry, have already stimulated the Communists to work harder to gain influence of organized sugar workers.

[14] U.S. Department of Commerce, World Trade Information Service, Economic Reports, No. 62–78, p. 4.

[15] United Nations, Estudio Economico de America Latina, vol. I (1965).

[16] Ibid.

[17] U.S. Department of Commerce, World Trade Information Service, Economic Reports, No. 62–78, pp. 1, 8.

[18] United Nations, Estudio Economico de America Latina, vol. I (1965).

[19] U.S. Department of Commerce, World Trade Information Service, Economic Reports, No. 62–78, p. 22.

"Only recently the free and democratic labor movement has lost two major unions to small Communist power groups who have capitalized on the effect on the industry of the reduced quota imposed on Peru in 1965 and the extremely low level of the world sugar price."

In view of the importance of sugar, not only to the 300,000 Peruvians who are directly or indirectly dependent upon the sugar industry, but also to the whole of the Peruvian economy, these words of concern about the Department of Agriculture's bill take on added meaning in the context of what the people and Government of Peru are trying to achieve through self-help.

Furthermore, President Belaunde has set Peru's goals very high: 100,000 new homes by 1970; free education for all; the irrigation of 200,000 desert acres in the north; penetration highways to unlock the riches of the Sierra and of the jungle lowlands, just to name a few of his major objectives. Peru is leading its neighboring countries in a project to build a 3,500-mile marginal highway on the eastern slopes of the Andes.

As the New York Times reported on October 11, 1965:

"In the forbidding central Andes, one of the most strategic spots of Latin America, Peru's democratic Government is slowly winning a decisive battle against two closely related enemies: Communist guerrillas and woeful poverty.

* * * * *

"A recent visit to the areas of heaviest guerrilla activity suggested that apart from the Government's energetic military measures, the biggest deterrent against the spread of communism has been provided by reforms introduced by President Fernando Belaunde Terry. * * *

"The vastness of the problem has made Peru something of a test case in the bitter contest between the violent methods advocated by the Communists and their motley revolutionary allies and the Alliance for Progress program designed to help the region achieve a peaceful transformation of economic and social levels.

"Mr. Belaunde, a 52-year-old architect with degrees from the Sorbonne and the University of Texas, who typifies a generation of forward-looking Latin American technocrats, has been among the most enthusiastic advocates of the Alliance. His success in Peru is considered vital by Washington for the security and progress of the whole region."

The success of Peru's efforts obviously depends in great measure on the continued development of its trade, in which sugar plays so important a role. As Under Secretary of State Thomas Mann recently noted, "Trade is * * * an important component—there is perhaps no more important component—of progress." [21]

The narrow mathematical formula of the Department of Agriculture necessarily ignores relevant factors and is particularly unjust to Peru

The Department of Agriculture has declared of its bill:

"Quotas would be allocated essentially on the basis that each country contributed toward our import needs in 1963 and 1964, but with the latter year given double weighting." [22]

The House Agriculture Committee, on the other hand, has found that:

"1963 and 1964 are the two most unusual and abnormal years in the history of the U.S. sugar program, and the theory of basing future permanent quotas on these 2 years, therefore, is unsound * * *." [23]

Furthermore, the Department's formula fails to take into account the special circumstances that influenced Peru's response to the Department's 1964 request for additional shipments. For the fact is that Peru substantially exceeded its sugar quota in 1964, and its failure to do even more was not one of its own making.

It should be emphasized that between 1961 and 1964, when the so-called global quota system was in effect, no country knew from one year to the next how much sugar it could export to the United States above its basic quota. For example, as table IV on page 7 of the House Agriculture Committee report indicates, Peru was permitted to export to the United States 503,000 tons of sugar above quota in 1961 but little more than half as much—274,000 tons—in 1962. In addition

[20] Statement of David E. Bell before the House Committee on Foreign Affairs, Feb. 4, 1965, State Department Bulletin, Mar. 8, 1965, p. 345.

[21] Address of Apr. 9, 1965, State Department Bulletin, May 10, 1965, p. 721.

[22] Statement of John A. Schnittker, Under Secretary of Agriculture, hearings before the House Committee on Agriculture, 89th Cong., 1st sess. (Aug. 18, 1965), p. 10.

[23] H. Rept. No. 1046, 89th Cong., 1st sess., p. 7.

to these uncertainties, Peru faced two unique problems. First, because of Peru's location, its sugar production cycle permits it to export far more sugar in the second half of any year than in the first half. Caribbean sugar producing countries, on the other hand, have almost precisely the opposite production cycle. Second, unlike many of the Caribbean producers, Peru is unable to maintain heavy sugar inventories.

In the summer of 1963 it became clear to all that in 1964 the world market price of sugar would be somewhat higher than the U.S. price. Indeed, as table XIII at page 19 of the House Agriculture Committee report shows, during much of 1963 the world price was higher than the U.S. price.

Nonetheless, the Department of Agriculture failed to state during the summer of 1963, or even in the early fall, how much sugar each country would be permitted or asked to ship above quota. Not until November 23, 1963, with less than 5 weeks remaining before the start of 1964, did the Department make known its requirements. In the meantime, in the face of the foregoing uncertainties and long before the Department spoke up, the Peruvian producers committed to other markets the balance of their first quarter sugar production over the amount needed for domestic consumption and their U.S. quota commitment.

This left only 50,000 tons available for above-quota export to the United States in the second quarter of 1964, the lightest period of Peruvian production, but an additional 250,000 tons during the remaining two quarters of 1964 when, as noted previously, Peruvian production is at its heaviest.

Thus, in the fall of 1963, when the United States requested foreign suppliers to increase their sugar shipments to the United States, and promised special consideration in the assignment of quotas in exchange therefor, Peru offered 300,000 additional tons of sugar to the United States, 50,000 tons of which would be shipped in the first half and 250,000 tons in the second. As pointed out earlier herein, not a single ton was available for shipment in the first half beyond the 50,000 offered by Peru.

For reasons best known to itself, the Department of Agriculture refused the offer of 250,000 tons for the second half of 1964. As the House Agriculture Committee noted, "the Department of Agriculture, contrary to the specific provisions of law, never allocated approximately 500,000 tons of the Cuban reserve and any supplying country had the right to assume that this 500,000 tons eventually would be allocated * * *."[24]

Yet, the Department now proposes that Peru have its sugar quota cut drastically because Peru was unable to provide more than 50,000 tons above quota during the first half of 1964. That proposal is manifestly unfair. Certainly Peru's failure, if it be called such, was not one that requires that Peru be punished.

Countries that substantially exceeded their quotas in 1964 have already been rewarded in 1965

If rewards and punishments are thought to be required solely on the basis of 1964 performance, they have already been meted out in full measure, as the House Agriculture Committee has cogently observed.

Quotas for 1965 have been alloted on the basis of 1964 performance. Every country that suffered losses in 1964 by shipping to the United States at its then depressed price differential of $26.80 per short ton has more than recouped these losses in 1965 when the United States has had an inflated price differential of $68.80 per short ton, as shown in appendix V. Australia, which lost $4,600,000 in shipments above quota in 1964, will gain over $10 million on shipments above quota in 1965. Mexico has enjoyed a net gain of some $4 million and South Africa's gain has been about $3,500,000.

On the other hand, Peru's sugar exports to the United States this year will be in the neighborhood of 250,000 tons, about 40 percent less than its 1961–64 average. The world market price is at an alltime low and every sugar company or estate in Peru has reported losses for the year. One estate is close to bankruptcy and may soon discharge 4,000 sugarworkers.

The House bill denies to Peru the application of the House committee's own standards

The House of Representatives properly rejected the foreign sugar allocation formula proposed by the Department of Agriculture.

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[24] Ibid.
[25] State Department Bulletin, July 5, 1965, p. 4.

The bill reported by the House Committee on Agriculture and passed by the House of Representatives is an improvement over the Department of Agriculture bill. Depending on the future level of domestic consumption, it increases by between 100,000 and 175,000 tons the total amount of sugar assigned to Alliance for Progress countries and provides a modest increase over the Department's allocation to Peru. Furthermore, it reenacts the principle of parity among some of the major foreign sugar suppliers that was provided for in the 1962 act.

But the House does not extend that parity to Peru and the committee report accompanying the bill does not explain why. Instead, the House bill gives to Brazil the position of parity with Mexico and the Dominican Republic which Congress in 1962 accorded to Peru.

This substitution of Brazil for Peru is not explained. Peru does not begrudge Brazil this parity position, particularly since Brazil's quota under the 1962 act was only a fraction below the parity quotas of Peru, Mexico, and the Dominican Republic. But Peru does contend that under the House committee's own clearly articulated standards there is no justification for dropping Peru from its parity position, much less for doing so by replacing Peru with Brazil.

To the contrary. If the rationale of the report had been followed, Peru would have retained its position of parity with Mexico and the Dominican Republic.

The report states at page 7 that the House bill adopts "the distribution of quotas among foreign countries established in the 1962 act as the basis of the quotas for the duration of this bill." The report further states at pages 7-8 that in assigning quotas the committee "has embraced the same considerations it followed in 1962; namely, (1) ability of the supplying country to provide sugar at the time needed for the consumers of the United States; (2) the development of foreign trade; and (3) the friendly relations of the countries involved."

We are in complete agreement with these principles. We ask only that they be applied to Peru as they are applied to Mexico, the Dominican Republic, and Brazil.

Each of those countries is assigned a basic quota of 8.41 percent, equal to a quota of 340,925 tons. Peru, on the other hand, is assigned a basic quota of 6.71 percent, equal to 272,000 tons.

In terms of ability to supply sugar in time of need—the first of the three considerations embraced by the House Agriculture Committee—Brazil plainly deserves no preference over Peru. In the critical year 1964, Peru exceeded its quota by 20 percent. In that year, Brazil shipped to the United States not a single ton of sugar above its quota.

In terms of the development of foreign trade, the earlier portions of this statement should make it clear that Brazil, Mexico, and the Dominican Republic are scarcely better trade partners of the United States than is Peru.

Finally, in terms of friendly relations of the countries involved it seems to us unnecessary to argue the obvious point that Peru has been no less friendly to the United States than the three nations accorded parity by the House committee bill.

CONCLUSION

The Department of Agriculture bill would substantially reduce Peru's sugar quota, and the quotas of other Latin American nations, without justification. The House committee bill is an improvement over the Department's bill for Peru and for Latin America as a whole. But it substitutes Brazil in place of Peru as the country accorded parity with Mexico and the Dominican Republic.

We submit that on any yardstick, whether it be historic participation in the U.S. sugar market, the capacity to meet and even exceed its quota requirements, need for foreign exchange income, or adherence to the principles of democracy and free enterprise, Peru is entitled to the same consideration given by the House Agriculture Committee to Mexico, the Dominican Republic, and Brazil. The principle of parity for Peru with these other countries ought to be recognized in the 1965 act as it was recognized by Congress in the 1962 act.

APPENDIX I

U.S. sugar imports from Peru[1]

Year	Peru charges against quota (short tons)	Total foreign charges against quota (short tons)	Peru as percent of foreign quota
1934	8,017	29,750	26.95
1935	5,539	10,977	50.46
1936	5,557	29,024	19.15
1937	53,573	89,155	60.09
1938	56,250	75,114	74.89
1939	38,599	62,021	62.24
1940	13,250	17,336	76.43
1941	108,808	189,934	57.29
1942	6,097	39,235	15.54
1943	2,021	118,923	1.8
1944	(2)	106,010	(2)
1945	36,106	87,416	41.30
1946	46,353	46,353	100.00
1947	41,397	44,732	92.54
1948	25,385	61,892	41.01
1949	21,589	51,565	41.87
1950	30,783	61,896	50.06
1951	(3)	12,666	(3)
1952	22,810	50,767	44.93
1953	53,891	111,011	48.55
1954	55,364	113,264	48.88
1955	55,663	118,524	46.96
1956	59,077	126,667	46.64
1957	80,093	217,272	36.86
1958	86,867	278,698	31.17
1959	95,527	278,665	34.28
1960	138,827	432,553	32.09

[1] The data do not include Cuba, Philippines, domestic beet, mainland cane, Hawaii, Puerto Rico, Virgin Islands. When sugar quotas were in effect, data are final charges against sugar quotas. Quotas were not in effect Sept. 11, 1939, to Dec. 26, 1939, and Apr. 22, 1942, to Dec. 31, 1947—data for these periods are total quantities entered from offshore areas.

[2] In wartime 1944 there was no U.S. quota system in effect and no shipping space was allocated to Peru for shipment of sugar to the United States.

[3] In 1951 Peru shipped its quota equivalent to 21,181 short tons to the United States, but U.S. refiners made the unilateral decision to reexport this and other imported sugar so that no charge was made against the Peruvian quota.

Source: Sugar Statistics and Related Data (U.S. Department of Agriculture), vol. 1 (1961), p. 159.

APPENDIX II

Domestic consumption and exports to preferential markets other than the United States—Average, 1961-64

Country	Metric tons, raw value			Percent of production consumed domestically	Percent of production exported, preferential market	Total percent of production consumed domestically and exported to preferential markets
	Production, 1961-64	Domestic consumption, 1961-64	Exports to preferential markets, 1961-64			
United Kingdom	(1)					
Canada	569,978	3,420,931		600.2		600.2
Netherlands [1]	2,144,657	2,801,394		130.6		130.6
Ireland [1]	555,653	667,563	20,950	120.1	3.8	123.9
Venezuela	1,095,599	1,035,748		94.5		94.5
Argentina	3,453,097	3,159,491		91.5		91.5
India	11,466,132	10,395,846	40,664	90.6	.34	90.9
Brazil	12,054,644	10,868,830		90.2		90.2
Colombia	1,559,715	1,401,420		89.9		89.9
Reunion	906,332	29,588	766,813	3.3	84.6	87.9
Paraguay	158,465	139,548		87.7		87.7
Belgium	1,652,070	1,407,345		85.2		85.2
Mauritius	2,291,250	109,255	1,701,044	4.8	74.1	78.9
Guatemala	482,198	333,294		77.8		77.8
British Honduras	116,699	9,693	81,951	8.3	70.2	78.5
France	8,119,278	6,814,897		77.8		77.8
Mexico	6,707,612	5,143,671		76.6		76.6
South Africa	4,774,610	2,814,312	715,246	59.3	15.7	75.0
Turkey	2,200,418	1,648,305		74.9		74.9
French West Indies	1,033,782	52,037	719,992	5.0	69.6	74.6
Panama	90,602	74,452		70.9		70.9
El Salvador	247,363	175,361		70.9		70.9
Ecuador	568,815	387,264		68.1		68.1
Malagasy	395,913	153,778	120,289	38.7	30.6	67.3
British West Indies and British Guiana	2,211,327	178,842	1,216,874	8.1	55.0	63.1
Australia	6,808,018	2,321,886	1,626,899	34.1	23.9	58.0
Costa Rica	314,199	177,131		56.4		56.4
Fiji	1,035,311	64,764	505,186	6.3	48.8	55.1
Nicaragua	346,388	188,129		54.2		54.2
Haiti	272,000	143,575		52.8		52.8
Peru	3,131,543	1,151,501		36.8		36.8
China (Taiwan)	3,268,942	497,658		15.2		15.2
Dominican Republic	3,405,875	418,530		12.3		12.3
Southern Rhodesia	(2)					

[1] Net import country.
[2] Not available.

APPENDIX III

Computation of bilateral U.S. balance of payments with selected Latin American countries, 1955-64

[In millions]

	Brazil	Chile	Colombia	Mexico	Peru
1955	($239)	$16)	($17)	$94	$48
1956	(351)	(4)	(54)	4	16
1957	(285)	(3)	(150)	103	(3)
1958	(213)	35	(202)	66	9
1959	(140)	62	(46)	(47)	(3)
1960	(211)	183	67	(76)	29
1961	(216)	(70)	(95)	(140)	76
1962	(198)	(63)	(122)	(143)	65
1963	(99)	(12)	1	(174)	90
1964	(114)	26	53	(266)	113
1955-59 average	(246)	(21)	(94)	44	13
1960-64 average	(168)	12	(19)	(160)	75

[1] While bilateral balance-of-payments data is not published by the International Monetary Fund or the Department of Commerce, it is possible to compute a roughly accurate picture, the current account being based on merchandise trade (U.S. imports from U.S. Department of Commerce, "Import Trade by Country," No. FT 950-I; U.S. exports from U.S. Department of Commerce, "Export Trade by Country," No. FT 950-E), services (profit remittances from U.S. Department of Commerce, Survey of Current Business; interest remittances from U.S. Department of Commerce, "Foreign Grants and Credits," transportation based on relationships between a country's total imports f.o.b. and total outflow for services, with Mexican tourist income from U.S. Department of Commerce, Survey of Current Business (June 1965), p. 26, table 2), the capital account being based on net long- and medium-term capital transactions (U.S. aid from U.S. Department of Commerce, "Foreign Grants and Credits"; direct private investment from U.S. Department of Commerce, Survey of Current Business, table 3, "Net Capital Outflows"; U.S. commercial bank transactions from differences in yearend position by country for U.S. commercial banks shown in Treasury Department bulletins), and net short-term capital transactions (from yearend positions for short-term liabilities and claims by country shown in Federal Reserve Bulletins).

NOTE.—Positive balance indicates an inflow favorable to the United States. Negative balance ( ) indicates an outflow unfavorable to the United States.

APPENDIX IV

STATEMENT OF JULIO CRUZADO, SECRETARY GENERAL, CONFEDERACION DE TRABAJADORES DEL PERU

In the name of the 1½ million workers who belong to the Federation of Workers of Peru, and especially on behalf of the 50,000 affiliated workers from the sugar industry, I wish to express to this committee our very deep appreciation for this opportunity to make known to you our great concern at certain aspects of the administration bill to extend the Sugar Act.

Two important factors have contributed to a tremendous increase in the economic progress of the workers employed in the Peruvian sugar industry and their 200,000 dependents.

The first was the Alliance for Progress and its stimulus to the economic and social development of Peru.

The second was the increase in Peru's shipments of sugar to the United States after Castro took over Cuba.

The sugar exports to the United States are the key to the increase in payroll and hospitals and schools and other fringe benefits which represent slightly over 100-percent improvement in the total remuneration in cash and other benefits since 1960.

All of this is gravely threatened by the executive branch proposal for a permanently reduced volume of sugar exports to the United States in the new bill.

Today, there are several union contracts pending renewal. By agreement between management and labor, the bargaining sessions have been put off until further notice, pending the outcome of the U.S. Congress action on the new sugar bill. This delay, plus some early signs of the economic crisis looming for the Peruvian sugar industry, have already stimulated the Communists to work harder to gain influence of organized sugarworkers.

Only recently the free and democratic labor movement has lost two major unions to small Communist power groups who have capitalized on the effect on the industry of the reduced quota imposed on Peru in 1965 and the extremely low level of the world sugar price.

We have lost, to the Communists, the union of one of the major estates in the north. This estate is in very severe financial difficulties and struggling to avoid bankruptcy. It could not, of course, continue the annual wage increase which has become customary in the last 5 years in Peru.

The second union taken over recently by Communists is that of one of the major and most socially advanced estates in Peru. This year's wage settlement featured an increase of 9 percent on the average, which is still OK, as this estate has other industries which helped to avoid a more severe reduction in the rate of increase of wages. Yet as this represented a slight reduction from last year's increase this was enough for the Communists to convince the rank and file to throw out the leaders of the union and replace them with some of their own faithfuls. To us this is just as serious as if the Communists took over the General Motors or the Ford locals of the United Auto Workers.

That is why, Mr. Chairman, I urge the committee, please to give careful consideration to the broader issues surrounding Peru's current social and economic position, and especially the struggle of the free and democratic labor unions against the Communist elements who seek to conquer organized labor. Any reduction in labor's living standards, purchasing power, or in the level of employment, as a result of a low sugar quota in the United States, would play into the Communists hands and imperil the future development of the free labor movement in Peru.

APPENDIX V

ESTIMATE OF LOSSES IN 1964 AND GAINS IN 1965 FOR COUNTRIES MAKING ABOVE-AVERAGE SHIPMENTS OF SUGAR TO THE UNITED STATES IN 1964

The attached table estimates that, under the formulation explained in the accompanying footnotes, those nations which most lost money by making above-average shipments to the United States in 1964 will have more than made up for these losses by the end of 1965. This is because these same nations are being permitted to make above-average sales to the United States in 1965, at a time when the U.S. price is well in excess of the world price. Thus, as the table shows, the additional sums earned in 1965 more than offset estimated losses in 1964.

NOTES ON ATTACHED TABLE

This table only includes those countries which made above-average shipments of sugar to the United States in 1964 and thus may claim to have suffered financially by supplying sugar to the United States. Losses for 1964 were calculated for those countries by comparing their 1964 shipments with their 1964 basic quotas. The excess amount shipped in 1964 over 1964 basic quota has been considered the amount of sacrifice; that is, the greater than required amount sold to the United States to meet its needs at a time when the U.S. price was lower than the world price.

The differential between the U.S. price and the world price in 1964 was determined by taking the average price for the first 6 months of 1964. This time period was selected for the reason that it was during this period primarily that sales to the United States were committed. It is, of course, not possible to determine exactly the loss since exact sales prices cannot be determined regardless whether sales were made at average prices or at a fixed price. The problem with gaging the loss is further complicated by the fact that if those countries had sold on the world market instead of on the U.S. market in an effort to obtain the higher world market price, no doubt such efforts would have resulted in a lower world price. It does appear, however, a fair gage to select 1964 first 6-month averages as a basis of establishing the amount of money lost by those nations selling more than normal amounts to the United States.

As in the case of calculating sacrifice, gains in 1965 are established by taking the difference between the 1964 basic quotas and the 1965 quotas, which were established by the Department of Agriculture, by use of a formula designed to reward nations shipping to the United States in 1964. The dollar amount of the gain in 1965 has been calculated by taking the average price differential for the first 6 months of 1965. This has been selected, again, as an estimate, consistent with the price formula used in calculating losses for 1964.

Country	1964 quota	1964 shipments to United States	Shipments above quota	Loss in 1964 on above-quota shipments[1]	1965 quota	1965 exceeds 1964 quota	1965 gain on quota[2]	Net gain 1965 over 1964 loss
				Thousands		*Short tons*	*Thousands*	*Thousands*
Australia	40,366	215,098	174,732	$4,682.8	193,069	152,703	$10,506.0	$5,823.2
British Honduras	974	5,988	5,014	134.4	4,342	3,368	231.7	97.3
Costa Rica	19,720	40,526	20,806	557.6	36,041	16,321	1,122.9	565.4
El Salvador	10,326	20,571	10,245	274.6	17,904	7,578	521.4	246.8
Fiji Islands	9,981	54,517	44,536	1,193.6	47,059	37,078	2,551.0	1,357.4
Malagasy Republic	0	11,559	11,559	309.8	7,536	7,536	521.9	212.1
Mexico	255,521	480,120	224,599	6,019.3	403,225	147,704	10,162.0	4,142.7
Nicaragua	25,079	50,340	25,261	677.0	41,947	16,868	1,160.5	483.5
Panama	8,832	19,216	10,384	278.3	14,986	6,154	423.4	145.1
South Africa	20,326	119,960	99,634	2,670.2	109,408	89,082	6,128.8	3,458.6
Southern Rhodesia	0	10,260	10,260	275.0	9,197	9,197	632.8	357.8

[1] At U.S.-world price difference of $26.80 per short ton.
[2] At U.S.-world price difference of $68.80 per short ton.

Sentor LONG. You made a good statement. I believe that the reason that the administration recommended such a small quota for Peru was due to the fact that when sugar was in short supply Peru had a quota and failed to deliver on it.

Isn't that about what the logic of it is?

Mr. SEEGER. That is the logic of it, but it is not the fact, Mr. Chairman.

In 1964, when U.S. needs went up, Peru shipped 15 percent over its quota. It offered the United States 50,000 tons over its quota in the first half of the year. It offered the United States an additional 250,000 tons in the second half of the year. The United States accepted the original offer and rejected the 250,000 offer. There has been no explanation as to why that offer was rejected, and in the House Agriculture Committee report you will see that 500,000 tons of the Cuban reserve were never allocated in 1964. As the House committee said, any country had good reason to believe that a bid of that nature would be accepted. And Peru's proposal was solely based on Peru's production cycle.

Senator LONG. So you say that Peru delivered 15 percent over their quota?

Mr. SEEGER. Over its quota, yes, sir.

Senator LONG. And they offered to deliver 250,000 tons more than that?

Mr. SEEGER. The total would have been more than double Peru's quota.

Senator LONG. Can you get an admission from the Department of Agriculture that that was the case?

Mr. SEEGER. I think if the Department of Agriculture witness were called he would have to say that we, in fact, made that offer, if that is what the Senator is asking.

Senator LONG. That is what you ought to inquire about, because if that is the case then there is no reason why you shouldn't at least have some credit for the fact that you at least made that offer.

Mr. SEEGER. We will get documentation for the Senator and for the committee on that point.

Senator LONG. Senator Williams?

Senator WILLIAMS. No questions.

Senator LONG. Senator Carlson?

Senator CARLSON. Just this: I have been glancing through your statement while you were answering some questions by Senator Long. The sugar quota is most important, is it not, to Peru, not just to your country alone, but to the surrounding area, isn't that a fact?

Mr. SEEGER. Yes, sir; this is one of the problems with the whole administration bill. A witness for the Department of Agriculture yesterday testified that Alliance for Progress considerations fell very nicely. Those were his exact words. Actually the entire increase in the domestic quota falls on the Alliance for Progress nations. In other words, the 580,000-ton increase is reflected in a 600,000-ton cut for the Alliance for Progress nations and of those who are hurt, Peru is hurt the most.

Senator CARLSON. In checking the House committee report and the administration bill I would say that that is correct.

I noticed in the testimony of the witnesses from the administration yesterday that they don't like to call these sugar quotas as aid, but as a member of the Senate Foreign Relations Committee, I have this feeling that if we do not, and are not able to give substantial sugar quotas to some of our friends in Latin America, we are going to have to give additional funds or assistance, and I think——

Mr. SEEGAR. Yes, sir.

Senator CARLSON. I think you have made a good case here this morning. I really do. I appreciate your appearance.

Senator LONG. Let me just say this. Here is what our committee document showed on page 14. As the world market, at a time when our price was above the world market, in 1961, we purchased from Peru 602,000 tons. When our price was about twice the world market; 1962, 510,000 tons; 1963, 413,000 tons; and then we come to 1964 when we were begging for sugar, Peru delivered 242,000 tons or just about half what they had delivered in other years.

Now, here are sales on the world market. In 1961, they sold 7,000 tons; 1962, zero; now, when the price started going up in 1963, 117,000 tons; and 1964, the year when they could make more money selling on the world market than they could sell to us, at the time we were begging for sugar and asking for a commitment Peru sold 230,000 tons on the world market. So it is obvious where that sugar went to. It didn't go to us. We are the fellow who paid them twice the price in the years when our price was twice the world market or 50 percent above the world market as the case may be, and then when the time came that we needed them, and we are talking about the private producers and companies down there, not a government, they take 230,000 tons and sell that on the world market. They go looking for somebody who will pay them a higher price.

I am advised that while Peru might have made some offer I don't know about, at the time we asked for the commitment, they wouldn't deliver.

Mr. SEEGER. Sir, Peru's traditional sugar production pattern is such that it produces far more in the second half of any year than it does in the first half of any year. When the United States rejected the 250,000-ton offer, of course, it showed up as being a sale in the world market. It was either that or keep the sugar. Peru has nowhere else to sell it.

Senator LONG. When we asked for the commitment in January of 1964 why didn't Peru give us that commitment, say, "All right, we won't have the sugar until 6 months later but we will deliver the sugar 6 months from now."

Mr. SEEGER. We did say that. That is precisely what we said, 250,000 tons 6 months from now and we were told, no.

Senator LONG. Well, my understanding about that matter is that if this was a commitment made by Peru on that basis, it was a conditional commitment and not a definite commitment that the sugar would be delivered.

Suppose you get your documents, though, and I would suggest you see if you can get that matter straightened out with the Department of Agriculture because that is why they recommend that reduction.

Senator Douglas?

Senator DOUGLAS. No questions.

Senator LONG. Thank you very much, sir.

(The documentation subsequently submitted by Mr. Seeger follows:)

PRATHER, LEVENBERG & SEEGER,
Washington, D.C., October 15, 1965.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: During my testimony this morning before the Finance Committe on behalf of the Peruvian Sugar Producers' Association and the Federation of Workers of Peru, you expressed interest in documentation of the offer made on behalf of the Peruvian sugar producers in late 1963 to supply to the United States, over and above Peru's basic quota, 50,000 tons during the first half of 1964 and an additional 250,000 tons during the second half of 1964.

As you know, the official U.S. request of the various countries was made through the local American Embassy in those countries. In response to that request, the Peruvian Sugar Producers' Association informed the American Embassy in November of the above-described offer. Attached is a telex evidencing this offer.

Furthermore, the office of the agricultural attaché of the U.S. Embassy in Lima today confirmed to us that on November 14, 1963, the U.S. Embassy formally transmitted this offer to Washington. Attached is the text of the U.S. Embassy's cable as read to us today over the telephone from Lima, Peru.

I would very much appreciate it if these materials could be inserted in the hearing record.

Sincerely,

EDWIN H. SEEGER.

TEXT OF CABLE FROM U.S. EMBASSY IN PERU TO WASHINGTON, NOVEMBER 14, 1963

Secretary of State (Washington).
Agriculture from Traeger.

Subject under consideration by Sugar Producers Committee which now reports Peru will commit 300,000 short tons for shipment U.S. market 1964 with 50,000 short tons scheduled for arrival January–June, 250,000 July–December.

LIMA, PERU, *November 13, 1963.*

Telex, Moradas 23.

Following sent Lane by CPA last night:

"Are informing embassy Lima shall have available in 1964 for U.S. market 300,000 short tons which represents 50 percent more than our statutory quota in 1963. Fifty thousand short tons available first half and 250,000 short tons second half. Please remind USDA that principal grinding season is the second half of the year.

(Signed) BASOMBRIO."

Above official CPA directive in effect reduces our self-imposed reserve for United States by approximately 2,000 tons which now available for sale world markets late in year. Will confirm quantity and details later in order proceed sale.

Mr. DUNCAN.
Mr. WALSH.

Senator LONG. The next witness will be H. C. Laughlin representing the Owens-Illinois of the Bahamas, Ltd.

STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT, OWENS-ILLINOIS, INC., TOLEDO, OHIO

Mr. LAUGHLIN. Mr. Chairman, I would like to start by correcting the record.

I am representing Owens-Illinois, Inc., of Toledo, Ohio, corporation and not Owens-Illinois of the Bahamas; how this Owens-Illinois of the Bahamas got in I don't know.

I was invited here representing Owens-Illinois, Inc., and I represent that company of which am a vice president and director.

I appear before you today and I only represent that company. I do not represent the Bahamas or the Bahamas Government. I want to make that very clear.

We have prepared and filed with the clerk an extended statement about our position, and I will merely summarize this statement, and make myself available for questioning.

I appear before you today to urge that you give favorable consideration for including a quota for the importation of approximately 20,000 tons of raw sugar per year from the Bahamas bginning with the calendar year 1968. The bill passed by the House of Representatives, H.R. 11135, includes a quota for the Bahamas of 10,000 tons annually beginning in 1968 provided that satisfactory assurances are furnished the Secretary of Agriculture that the quota will, can be filled with sugar produced in the Bahamas.

Bahamas are a Crown Colony of the United Kingdom located to the east of Florida. They are designated as an industrially underdeveloped area by our Department of State, but they receive and request no U.S. governmental aid. It is expected that any sugar produced on the Bahamas in connection with the grants of a quota will be produced on Great Abaco Island, which is located approximately 185 miles east of Palm Beach, Fla.

I want to discuss first the benefit of a quota for the Bahamas to the United States, because I think unless it is a benefit to the United States you shouldn't grant it.

The purposes of the Sugar Act are (1) assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and (2) encouragement to nearby foreign countries to participate equitably in supplying sugar to the U.S. market to expand international trade, and assure such a stable and adequate supply of sugar.

The growth of sugar in the Bahamas perfectly fits these purposes of the act.

First, as to stability and availability of supply: no offshore country enjoying a sugar quota under the act is located as close to sugar refining facilities in the United States as Great Abaco in the Bahama Islands.

The delivery time from the Bahamas to United States east coast is a matter of just a few days instead of weeks or in the case of some of the quota countries, months. This is very desirable any time and may be crucial in the time of international difficulty.

Secondly, the production of sugar in the Bahamas we believe will be relatively low cost because of the climatic conditions and the long growing and milling season, there is no frost there, and the fact that full mechanization of operation is possible.

The existence of substantial production of sugar in the Bahamas over and above that required for shipments to the United States under the quota here requested will assure ability to keep large reserves to meet emergencies and increases in demands.

The availability of the supply of low-cost sugar is particularly important in the long run in terms of the cost of sugar in the United States and in the world as a whole.

Finally, the balance of payments: on balance of payments, the U.S. dollars spent for raw sugar in the Bahamas will be largely returned to the United States immediately in the form of purchases of equipment, agricultural produce, and other foodstuffs, textiles, and other supplies.

In fact, within the next 5 years of this act, the amount of money that will come to this country for equipment both for hauling equipment and tractors and so forth, and also the mill equipment will far exceed the amount which will be paid for any sugar that comes from the Bahamas to this country. But even after such period this is true of the Bahamas. The United States, including tourism, enjoys a 1.6 to 2.1 favorable balance of trade as against the Bahamas.

It goes without saying that the Bahamas are of prime importance to the United States politically, economically, and militarily. They have been most cooperative with our Government in all matters. There is no question of the stability of the Government there, and our Government has a large number of space and defense installations there including a most important underseas naval facility on the south end of Andros Island. These are all there without demands by the Bahamas Government for any form of tribute from the United States for having those facilities there.

You are entitled to as why is Owens-Illinois here, and we make it very clear, we are here because we are already in the Bahamas as the largest industrial employer there on Great Abaco Island. We are producing pulpwood there, transporting it to the United States. That pulpwood production will cease in 1967. We have established a very substantial operation of roads, shipping facilities and more and most important of all we are employing over 500 persons on Abaco Island. Those persons, with the people that they support directly or indirectly, constitute over half the population of that island. This is an undeveloped island other than for our operation industrially.

We have made very substantial capital expenditures there. Over a thousand miles of roads, dock facilities, as I have said, and machine shops, school buildings, housing, general merchandise, storm and water supply system.

I want to emphasize that the wages we pay there are fully comparable to the wages paid for the same type of labor in the southern part of the United States. We are able to document that. We operate just as we do in the States. We have a union which we recognize and deal with collectively, and the operation is very much, almost exactly as if it were in Florida or Georgia.

We got into this consideration of sugar because we saw that after June of 1967 these people were going to be without jobs, and the economy of the Bahamas which has been supported by us, particularly in Abaco was going to be in difficulty if we could not find some other form of industrial operation there. We employed Arthur D. Little to survey the matter for us, and they recommended sugar as the obvious thing to—the obvious product to grow. We then employed experts in the sugar field who confirmed the fact that sugar would grow there, and that an economical operation was possible, and on the basis of this, we discussed the matter with the Bahamas Government, and they encouraged us to make this application for a quota for the Bahamas. I may say we are informed that the Bahamas Government has made representations, as it must, through the British Foreign Office and the British Embassy to the State Department in support of the application of a quota for the Bahamas.

I want to say in conclusion, that in our opinion the refusal of the quota to the Bahamas would represent discrimination against the Bahamas because it is the only country in the Western Hemisphere capable of producing sugar economically that does not have a quota. I am happy, I will be happy, to attempt to answer any questions that the committee has.

There is one more thing I want to say. There have been some things in the public press that are completely and thoroughly misleading including some suggestions about an appearance before an executive session of the Agriculture Committee in the House by me which are completely and thoroughly untrue. But I don't want to dignify those by going into them. I think they have no bearing on the question of the merits of this application. And I don't make any apology for an American corporation attempting to make a profit in the Bahamas and also support its economy, and I don't make any apology for an American corporation appearing before you and the Agriculture Committee in the House and pleading its cause and calling upon members of the Agriculture Committee of the House and calling upon the members of this committee.

(The prepared statement of Mr. Laughlin follows:)

SUPPLEMENTAL STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT, OWENS-ILLINOIS, INC., TOLEDO, OHIO

Identification

I am Hugh C. Laughlin, executive vice president and a director of Owens-Illinois, Inc., which has its headquarters in Toledo, Ohio.

Purpose of appearance

I appear before you today to urge that you give favorable consideration to including a quota which will allow importation of approximately 20,000 tons of raw sugar per year from the Bahamas beginning with the calendar year 1968, in any extension of the Sugar Act of 1948. The bill (H.R. 11135) passed by the U.S. House of Representatives included a quota for the Bahamas of 10,000 tons annually beginning in 1968, provided that satisfactory assurances are furnished the Secretary of Agriculture that the quota can be filled with sugar produced in the Bahamas. I will hereafter refer to such legislation as "the act." The Bahamas, as you know, are a Crown colony of the United Kingdom located immediately to the east of Florida. The Bahamas are designated as an industrially underdeveloped area by our Department of State but receive no U.S. governmental aid. It is expected that sugar will be produced on Great Abaco Island which is approximately 185 miles east of Palm Beach, Fla.

Benefit of proposed quota for the Bahamas to the United States of America

Among the purposes of the Sugar Act are (1) assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and (2) encouragement to nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purposes of expanding international trade and assuring a stable and adequate supply of sugar. The support of sugarcane growing and raw sugar production in the Bahamas fulfills these purposes from the standpoint of (1) nearness of supply, (2) relatively low-cost production, (3) immediate return to the U.S. economy of dollars expended for sugar purchased from the Bahamas, and (4) support of the economy of an area of crucial political importance to our country.

No offshore country enjoying a sugar quota under the act is located as close to sugar-refining facilities in the United States as Great Abaco, Bahama Islands, which is approximately 185 miles east of Palm Beach, Fla. Delivery time from the Bahamas to U.S. east coast refineries will be a matter of days rather than the substantially longer periods that will prevail in the case of deliveries from most other quota-holding countries. This is desirable at any time and may be crucial in case of international difficulty.

Our studies show that full mechanization, a long growing, harvesting, and manufacturing season (200 to 300 days) and favorable climate and rainfall make for a relatively low-cost operation. Such low-cost production when taken with the stability of the Government of the Bahamas assures ready availability of supply. The existence of a substantial production of sugar in the Bahamas over and above that required for shipments to the United States under the quota here requested, will assure ability to carry reserves to meet emergencies and increases in demands. Such stability of supply and readily available inventories are important in case of U.S. shortages and may prove crucial in case of international difficulties.

U.S. dollars spent for raw sugar will be returned in large part to the United States in the form of purchases of equipment, agricultural produce and other foodstuffs, textiles, and other supplies. This has been the history of the present operations of Owens-Illinois in the Bahamas and of other U.S. operations there, including even U.S. tourism. U.S. exports to the Bahamas in 1964 totaled $95.8 million[1] compared to imports from the islands in the amount of $20.5 million.[1] Even if proceeds from tourism and other indirect payments are included, the balance of payments still runs heavily in our favor. Thus, the balance of payments between the Bahamas and the United States distinctly favors our country's support of sugar operations there. Any U.S. dollars spent for Bahamian sugar will be returned quickly to our economy. This is, from an economic standpoint, more like support of domestic sugar operations than support of most other foreign operations.

It goes without saying that support of the economy of our nearest offshore neighbor which is recognized by our Government as the nearest developing country, is also very much in our short-term and long-term interest from a political standpoint. The Bahamas have been most cooperative with our Government in all political matters, including particularly defense support. As we have said before, there is no question as to the stability of the Government of the Bahamas. Our Government has a substantial number of defense and Space Administration installations in the islands, including the important naval facility on Andros Island.

History of the interest of Owens-Illinois in the Bahamas

Owens-Illinois is an Ohio corporation. Its principal businesses in this country are the production of glass containers, table glassware, scientific glassware, plastic products, and paperboard and corrugated shipping containers.

Owens-Illinois also owns or leases and operates extensive woodlands which produce pulpwood, the basic raw material for paperboard production. In 1957, Owens-Illinois commenced the cutting of pulpwood on Grand Bahama Island under a Crown lease. This operation was completed in 1959. Since then, Owens-Illinois has conducted, through a wholly owned subsidiary, what we believe to be the largest pulpwood operation in the world on Great Abaco Island

[1] Source: International Monetary Fund and World Bank.

in the Bahamas. The pulpwood cut there is transported by barges to a paperboard mill located at Jacksonville, Fla. These operations are conducted under a lease from the British Crown which extends until the year 2000. However, current pulpwood cutting operations on Great Abaco will terminate about mid-year 1967, and cannot be resumed until a new crop of pulpwood reaches cutting size there in about 25 years.

Approximately 500 persons whose compensation is equal to that paid in the Southeastern United States for comparable work are employed in these pulpwood operations. These people with their families and persons dependent upon them for support constitute well over half of the population on the island. Owens-Illinois is currently the largest industrial employer in the Bahamas.

We have made capital expenditures of over $5,300,000 in connection with these operations on Great Abaco. They cover a system of roads over 1,000 miles in length, heavy transportation equipment, a large dock facility, together with supporting machine shops, power and light facilities, offices, housing and school buildings, general merchandise store, and a water supply system.

This is in great contrast to the situation on Great Abaco when Owens-Illinois commenced operations there. We literally waded ashore at the point where our headquarters are now located. There was only one automobile on the whole island, which is 100 miles long. Its economy was most primitive and opportunities for gainful employment almost nonexistent. A description of these pulpwood operations is contained in the brochure entitled "Report of Stewardship—Owens-Illinois of the Bahamas" identified as appendix I which I am filing with the committee, but which is not to be included in the record.

If Owens-Illinois ceases operations on Great Abaco in June 1967, after completion of such pulpwood operation, the economy of that island and of the Bahamas generally will be very adversely affected. The road system, which is essential to the economy of the island, will largely disappear through lack of care. Most important of all, the people now employed will have no immediate source of cash income.

Realizing the seriousness of this situation from the standpoint of the future economy of the island, Owens-Illinois in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco which would provide continuing employment. That firm, after detailed study of a number of agricultural and industrial alternatives, recommended the growing of sugarcane and its manufacture into raw sugar for export as the enterprise which it believed would be economically feasible.

We then employed Booker Bros., McConnell & Co., of London, one of the world's leading sugar agronomists, and Arthur G. Keller, Inc., of Baton Rouge, La., outstanding experts on sugar production, to study in depth sugarcane growth and raw sugar manufacture on Great Abaco. Their conclusions are:

1. Agricultural conditions for growing sugarcane on Great Abaco are nearly ideal. The soil is suitable. There are no frosts. The rainfall is ample in amount and seasonally well distributed for cane production.
2. Industrial conditions for production of raw sugar there are excellent. There is an unusually long milling season, a high degree of mechanization is possible, and there is available a supply of semiskilled and skilled labor.

The conclusions as to agricultural conditions on Great Abaco are fully supported by experimental sugarcane plantings located on the island and owned or controlled by Owens-Illinois. These plantings made in 1964, now provide a source of seed cane for an immediate replanting of 1,500 acres which would allow prompt development of this project. In addition, preliminary engineering now in progress will allow completion of a 50,000-ton capacity mill in late 1967.

Need for quota

Owens-Illinois presently intends to complete this sugarcane growing and milling project on Great Abaco which will begin production in the fall of 1967, after the pulpwood operations I have described are terminated, assuming an adequate quota is granted to the Bahamas and the Bahamian Government allows our participation in filling this quota. Employment for approximately 500 people will be provided. The existing road system, cleared land, hauling and shipping facilities will be preserved and put to constructive use.

The Bahamian Government has been kept fully informed of all of the foregoing and the Premier of the Bahamas has repeatedly expressed the enthusiasm of his Government for this important proposed contribution to the economy of his country. The Bahamian Government is a crown colony with local autonomy.

Nevertheless, it is required to handle external affairs through the British Foreign Office. The Bahamian Government has, in fact, made representations through this channel and via the British Embassy to the U.S. Department of State. These representations have covered the critical importance of a U.S. sugar quota to the Bahamian economy.

A U.S. quota is necessary for support of this project in order to justify an additional capital investment on the order of $20 million. The so-called world market consists of only 10 percent of the world sugar production and is, therefore, so much subject to Communist-controlled manipulation that neither Owens-Illinois nor any other private enterprise can afford the capital risk involved in such a project without some participation in the U.S. market.

An optimal size operation would require production of approximately 50,000 tons of raw sugar a year; however, we do not ask for access to the U.S. market for this volume. The 20,000-ton quota we are requesting, plus very limited sales of refined sugar in the Bahamas themselves, should make possible a break-even operation. We are prepared to take our chances on the world market, and on additional sales to the United States if other quotas are not met, for sale of the balance of the tonnage of the mill.

Clarifying amendments to House bill

In the bill passed by the House of Representatives (H.R. 11135), there is a technical error. The quota granted to the Bahamas in one subsection of section 202 of the bill is negated by the provisions of an ensuing subsection of the same section of the bill. The Bahamas are not excluded from the provisions of section 202(d)(3) prohibiting a quota for a country which is a net importer of sugar for a 24-month period ending shortly prior to the time when a quota would otherwise be established. The Bahamas will obviously be a net importing country until sugar production starts there in 1967, and thus, would be barred from shipping sugar to the United States in 1968, even though the Secretary of Agriculture finds that the Bahamas are capable of meeting their quota in 1968, as established in section 202(c)(4). This oversight may be easily cured by the amendment suggested in exhibit 1 attached hereto.

Another apparent oversight was the failure to include the Bahamas in the provisions of section 204 of the bill relating to the division of deficits arising from the failure of other Western Hemisphere areas to meet their quotas.

In its report the House Agriculture Committee expressly says on page 13: "The remainder of such deficits arising within the Western Hemisphere would be prorated to other countries within the Western Hemisphere." The bill itself, however, limits the proration to the Western Hemisphere countries listed in section 202(c)(2)(A) whereas, the quota for the Bahamas, a Western Hemisphere country, is covered by section 202(c)(4).

It is particularly important that the Bahamas be included in the distribution of Western Hemisphere deficits since the immediate geographic availability of a Bahamian sugar supply to U.S. processors and consumers is most needed in such deficit situations.

As indicated above, access to the U.S. market for the sale of approximately 20,000 tons of Bahamian sugar annually is necessary to support adequately the proposed sugar operation. The 10,000-ton quota provided in the House bill falls short of meeting this requirement. However, this deficiency can be cured if the Bahamas are included in the distribution of Western Hemisphere deficits, in accordance with the amendment suggested in exhibit 2 attached hereto.

Summary

In summary, quota participation by the Bahamas, as requested above, would provide—

(1) A close-by, dependable, low-cost source of sugar.

(2) Support for a friendly, nearby, stable government which has cooperated fully in the matter of defense installations.

(3) Employment opportunities, the absence of which would cause disruption and tragic hardship.

(4) Continued use of presently existing road systems, dock and shipping facilities, heavy handling and hauling equipment, housing, schools, utilities, etc.

HUGH C. LAUGHLIN,
Executive Vice President, Owens-Illinois, Inc.

EXHIBIT 1

It is suggested that the bill passed by the House be amended as follows:

In line 14, page 8, after the word "States", strike the period and insert a colon. Then add, "*Provided, however*, That the provisions of this subsection shall not apply to the Bahamas for the years 1968 and 1969.". The subsection, as amended, will then read as follows:

"(3) No quota shall be established for any country for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States: *Provided, however*, That the provisions of this subsection shall not apply to the Bahamas for the years 1968 and 1969."

EXHIBIT 2

It is suggested that the bill passed by the House be amended by inserting in line 15, page 15, after the word "appropriate", the following: "Notwithstanding any other provision of this act the Bahamas, beginning in the year 1968, for the purpose of this paragraph, shall be deemed to be a foreign country listed in section 202(c)(3)(A)."

Senator LONG. Mr. Laughlin, what is your capacity with Owens of Illinois?

Mr. LAUGHLIN. I am executive vice president of the company and I am a director of the company.

Senator LONG. Are you a managing vice president or are you their public relations man?

Mr. LAUGHLIN. I am not their public relations man. Until very recently I was general manager of their forest products operation, that is 2 years ago, which included the operations in the Bahamas. That was turned over to my first assistant, at my request, and I am now in charge of matters relating to principally negotiations, acquisitions, or divestitures of property and also special projects of which this obviously is one. It is not within our normal business operation.

Senator LONG. Are you an attorney?

Mr. LAUGHLIN. I am admitted to the practice of law but I have not actively practiced law for the past 20 years.

Senator LONG. So with regard to all this publicity I have been reading in the press about lobbyists, you don't come here as a professional lobbyist, you come here as operating vice president pleading the case of your company and pleading for the right to produce some sugar in the Bahamas and sell us some, I take it?

Mr. LAUGHLIN. That is so.

Senator LONG. As I understand it, your argument is if you look at the standards that are set forth in the bill, based on why we buy sugar from one person and don't buy it from others, you contend that you fit that pattern as well as anybody does with the possible exception of the fact that you haven't been in the business but you want to be in the business but you would like to produce some sugar and sell it to us.

Mr. LAUGHLIN. That is correct, sir. That is exactly the point.

Senator LONG. You have one further point on your side if I do say it, sir, and that is talking about if we got short on sugar and you didn't deliver up to your commitments, we could send for you and put you in jail. That is something we can't say about the rest of them.

Mr. LAUGHLIN. You could make an enforceable contract with us, sir, and you can be sure—we were talking about enforceable contracts that can be made with Owens-Illinois and there would be no question about it.

Senator LONG. Would you have an objection to a clause in this bill to say if you are assigned a quota, you agree to deliver in the event the world market price should exceed the U.S. price?

Mr. LAUGHLIN. No, sir. In addition we would agree to a clause providing that we had to maintain inventories exactly as provided in the bill. We would have no objection to that.

Senator LONG. I have been trying to contend for years that it would be a good idea on the Sugar Act to try to have some device in it to see that if we pay a premium price that the people would get the benefit of it. The Mexicans pointed out to me the way it works. Out in their country, the workers do get the benefit of any additional price they receive. Many of them are small producers, and the Government has a law that makes them share their profits with their workers. But you say that in your instance, that your wages are about the same as the southern United States.

Mr. LAUGHLIN. They are, sir. They are fully comparable to the wages for the same work in the southern part of the United States.

Senator LONG. You think you could meet the production costs of these other Latin American countries?

Mr. LAUGHLIN. I think that we will have a relatively low cost operation. I have no detailed information of production costs in Latin America other than I heard yesterday, but if those statements yesterday are correct, we will do better when we are in full operation.

Senator LONG. Senator Douglas?

Senator DOUGLAS. No questions.

Senator LONG. Thank you very much, sir.

Mr. LAUGHLIN. Thank you.

Senator LONG. I submit for the record two telegrams received by the chairman and a letter which I received.

(The telegrams and letter follow:)

NEW YORK, N.Y., *October 4, 1965.*

HON. HARRY FLOOD BYRD,
U.S. Senate, Washington, D.C.:

As reported by the Washington Post dated September 23 1965, Venezuela has been granted a sugar quota of over 30,000 tons. Venezuela expropriated without compensation and then confiscated the properties of this company which is owned by citizens and taxpayers residing in 26 States of the United States. This year Venezuela committed wanton acts of vandalism against these properties. It is shocking to think that these same taxpayers would now be asked to contribute toward this largess to the delinquent Government of Venezuela. When this matter is discussed before the Senate Finance Committee it is respectfully requested that these acts of Venezuela be given due consideration.

Best regards,

BENJAMIN S. DOWD,
President, Chemical Natural Resources, Inc.

CASSELTON, N. DAK., *October 14, 1965.*

Chairman of Senate Finance Committee,
U.S. Senate Office Building,
Washington, D.C.:

The North Dakota Governors Advisory Committee on Sugar which is made up of new and old sugarbeet growers and representatives of allied businesses and labor groups wants it known for the record that it believes the domestic sugar industry deserves a larger share of the American sugar market. It believes that the American industry deserves immediate relief from its burdensome surplus stocks. The committee also believes that the domestic American sugar industry should not be taking cuts in acreage as growers have had to do the past year but are entitled to full participation in the American consumptive increase that this would be of great benefit to processors, machine and transportation businesses, labor, and all allied interest in the American economy as well as to agriculture of the Nation. Finally the committee feels at this point that the world situation being what it is the termination date of the bill passed by the House today should be shortened to not more than 2 years.

Respectfully submitted.

STATE SENATOR GEORGE SINNER,
Chairman.

ROYALL, KOEGEL & ROGERS,
New York N.Y., October 14, 1965.

Hon. RUSSELL B. LONG,
Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: In view of the brief time which your committee has scheduled for hearings to consider enactment of the Sugar Act of 1965, I have not requested an opportunity to appear personally before your committee on behalf of the Swaziland Sugar Association. Instead I am addressing this letter to you and request that it be made part of and incorporated in the record of the hearings.

Enclosed are two copies of a memorandum which I submitted for inclusion in the record of the hearings before the House Agriculture Committee. It is requested that the enclosed memorandum also be incorporated in and made a part of the record of the hearings before your committee.

There is one aspect of my submission to the House Agriculture Committee which I would like to emphasize in your committee's deliberation. I urged before the House Agriculture Committee that the legislation should also provide that developing countries, regardless of the quota allocated to them, should be permitted to sell to the United States the minimum tonnage which would permit them economically to utilize the available transportation in shipping sugar to this country.

For example, Liberty ships are the smallest vessels normally available in the trade between Lourenco Marques, Mozambique, the port of debarkation for the shipment of sugar from Swaziland, and New York City. The cargo capacity of such vessels is 10,500 long tons or approximately 12,500 short tons, raw value sugar.

Although freight rates for shipping charters vary from time to time, depending upon the circumstances existing at a particular time it is estimated that the charter cost of such a vessel is approximately $80,000 to $90,000. Regardless of the tonnage shipped, the freight cost is approximately the same whether the shipment is 12,500 or 6,000 tons. Thus, the freight cost to Swaziland for a shipment of 12,500 short tons would amount to approximately 5 percent of the price at which the sugar is to be sold to the United States. On the other hand, the freight cost to Swaziland on a shipment of 6,000 tons would amount to almost 10 percent of the sales price.

A minimum tonnage allocation of, for example, 12,500 short tons would enable Swaziland and other developing countries similarly situated to take advantage of the most economical transportation available. It would further assist such countries by trade rather than aid to improve their economy.

An additional provision in the legislation providing for a minimum tonnage allocation in any event would not materially increase the total tonnage of sugar imported under any of the proposed formulas and could not possibly have any adverse impact on our market. It is estimated that such a provision would, at most, result in the importation of an additional 40,000 tons of sugar. This would be de minimus in view of the contemplated U.S. consumption of approximately 10 million tons.

I respectfully urge that this matter be considered by your committee.

Sincerely yours,

ROBERT D. LARSEN.

WRITTEN SUBMISSION ON BEHALF OF THE SWAZILAND SUGAR ASSOCIATION (IN ITS CONSIDERATION OF AN EXTENSION OF THE SUGAR ACT)

Swaziland is a small developing country, 6,705 square miles in area, lying between the Transvaal Province of South Africa and Mozambique (or Portuguese east Africa). The population is approximately 288,000, of which 277,000 are Africans coming almost entirely from one tribe—the Swazi; 8,000 are of European descent; and just under 3,000 are of mixed race. The country is unmarked by racial strife and promises to be a symbol of rational and progressive development among the emerging independent nations of Africa.

Swaziland is now a British protectorate and is making rapid progress toward independence. There is already an elected legislative council, the majority of whose members are African. The ruling party whose supporters won all the seats in the election last year is conservative in outlook and anxious to see further development of the economy so that viable independence will be achieved. Independence is expected within a year and certainly will be achieved during the currency of this new U.S. sugar legislation.

The sugar industry which started in 1958 is now the largest and most important industry in Swaziland. Its members employ some 10,000 persons, or more than any other single industry. Sugar exports from Swaziland represent in value approximately 40 percent of total exports. Employment of agricultural and industrial workers by the sugar industry provides an excellent means of enabling Swazi to become skilled workers. Swazi are already operating caterpillar earthmoving machinery used extensively in the industry, driving heavy trucking equipment, and operating the complicated machinery in the sugar mills. In addition, Swazi are employed for clerical and other administrative duties. It is readily apparent that the sugar industry is a most vital factor in the economy of Swaziland.

In 1965 Swaziland was allocated a quota of 9,300 tons in the U.S. market. Prior to 1965 and since 1958, Swaziland's sugar production was integrated with that of South Africa under an intergovernmental agreement whereby South Africa undertook to provide markets for all Swaziland's production on condition that Swaziland's production be restricted to a maximum tonnage. Beginning in 1964 the production limitation was changed to an 8½-percent share of the combined local and export markets of South Africa and Swaziland. Under the agreement, all export sugar was marketed by the South African Sugar Association in its own name. Thus, Swaziland did not appear as a separate entity in international sugar trade. As a consequence, Swaziland was not specifically referred to in the Sugar Act Amendments of 1962. Its participation was reflected, however, in the quota allocated to South Africa in those amendments.

In response to the emergency requirements of the United States in 1963 and 1964, South Africa shipped additional tonnages of sugar which were, in part, available because of the contribution from Swaziland's production to South Africa's general export availability.

By mutual agreement these arrangements, whereby South Africa was responsible for marketing Swaziland sugar, were terminated on December 31, 1964. Now South Africa is no longer in any way responsible for providing markets for Swaziland sugar; Swaziland is now, on its own, an entity in the world sugar market. Since Swaziland's own local consumption is only some 8,000 tons, the Swaziland sugar industry is now entirely dependent upon exports. It is only in the context of the Commonwealth Sugar Agreement that Swaziland has any other assured outlet for a proportion of her export availability.

Swaziland's independent position was recognized by the U.S. Department of Agriculture when the quotas for 1965 were determined and Swaziland was allocated 9,300 tons. This represented an 8½-percent share of the combined total of 109,408 tons allocated to Swaziland and South Africa. This action, coming as it did from the first foreign country to establish a consulate in Swaziland, was particularly welcome as evidence of U.S. interest and confidence in the future of the country.

Swaziland now urges the Congress to reaffirm this interest by the allocation of a quota to Swaziland of at least 9,300 tons. In fact, Swaziland respectfully urges that its quota be moderately increased, if possible, to 15,000 or 20,000 tons.

The current 1965–66 crop is expected to produce about 150,000 tons. The estimated production from existing developed caneland in 1966–67 will be on the order of 180,000 tons. A quota in the U.S. market provides a stable outlet at a satisfactory price which is necessary for stability in the industry particularly in a producing country which, like Swaziland, consumes such a small proportion of its own production.

From a purely commercial viewpoint, a modest increase in the present quota would facilitate shipping arrangements since a quota of 9,300 tons represents only a partial normal cargo load and is less economical to ship. An increased quota, as is urged, would be help in the form of trade to help Swaziland help itself. It would encourage this emerging African nation, soon to become independent, which has already shown every sign of developing in a sensible, responsible, and democratic fashion in the heart of Africa.

Respectfully submitted.

ROBERT D. LARSEN.[1]

WASHINGTON, D.C., *August 16, 1965.*

Senator LONG. That concludes the list of witnesses, and I have asked the reporter that the other statements that have been submitted should be printed as if the witnesses had been available to read it, and the committee will——

Senator DOUGLAS. Mr. Chairman.

Senator LONG. Yes, Senator Douglas.

Senator DOUGLAS. The list of witnesses submitted yesterday was much longer than this list. Did we hear all those that were listed for this morning? We had a full page of witnesses.

Senator LONG. A number of those people came hoping they would be able to testify yesterday, and when they weren't able to testify they submitted their statements and asked that their statements be printed, which, of course, we have done. I now submit for the record a communication from the Department of Agriculture.

(The communication referred to follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., October 14, 1965.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department regarding the amendment (471) to the Sugar Act of 1948 which was introduced on Thursday, October 7, by Senator Fulbright.

The Department is anxious that comprehensive sugar legislation, including provisions for the proration of sugar import quotas to individual countries, be enacted this year. There are, in our view, important advantages to setting country quotas for the next 5 years by legislation provided the legislation employs an objective formula which can be understood by foreign countries. Such a formula has been developed by the administration and is embodied in S. 2567.

If we are to delay until next year the adoption of criteria of import quotas there might well be serious delays and difficulties before legislative assent were given to the proposed criteria. More important, any criteria which may be adopted would leave supplying countries in doubt from year to year as to the quantity they might be permitted to export to the United States. This would create uncertainty regarding their sugar planting and make them a less certain source of supply for the United States. In addition, it would create difficulties for their economic development planning.

The bill which the administration is supporting contains provisions which would permit the President to withhold or expand quotas, "in the national interest." We believe these provisions give the President the discretion necessary to insure that the political and international interest of the United States are reflected in our sugar import policy and at the same time assure adequate supplies to consumers.

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[1] Robert D. Larsen is a registered agent under the Foreign Agents Registration Act of 1938, as amended, for the Swaziland Sugar Association, Post Office Box 445, Mbabane, Swaziland, South Africa. A copy of the foregoing is being filed with the Registration Section and said filing is not to be regarded as an indication that the U.S. Government has approved the foregoing.

The Bureau of the Budget advises that there is no objection to the submission of this report from the standpoint of the administration's program.

I hope that the explanation of our views will be helpful to you. The officers of the administration appearing before the Senate Finance Committee will, of course, be prepared to discuss this problem with you.

Sincerely yours,

JOHN A. SCHNITTKER, *Under Secretary.*

Senator LONG. The committee will meet at 2 o'clock in executive session.

(Whereupon, at 10:05 a.m., the committee recessed, subject to call of the Chair.)