SUGAR

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-FIFTH CONGRESS

FIRST SESSION

ON

H. R. 7667

AN ACT 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; TO RAISE REVENUE AND FOR OTHER PURPOSES

AUGUST 7 AND 9, 1937

REVISED

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SUGAR

SATURDAY, AUGUST 7, 1937

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

The committee met, pursuant to call, at 10 a. m., in room 312 Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order. We will take up this morning the sugar bill that passed the House on yesterday, and I would like to make a statement that if the committee agrees with me, we will give certain people who have requested to be heard an opportunity on Monday. This morning, we will take the Louisiana and Florida controversy and if we get through in time, we may hear someone else. We do not have a long list of requests.

The hearings before the House Agricultural Committee were quite full and they are all printed and in the hands of each member of the committee. I must request that those who appear before the committee, come prepared to make their statements as brief as possible. This subject is one that we have dealt with before and I think most of the members are pretty familiar with the controversy.

Who is the first party that wants to be heard with reference to this sugar legislation? Who represents the Louisiana delegation, the Louisiana interests, and who represents the Florida interests? Have you agreed among yourselves as to how you want to present your respective sides, Senator Pepper?

Senator PEPPER. Some of my people have not arrived yet. I would be glad if the other side is prepared to go ahead, that they do so.

The CHAIRMAN. How about that, Senator Overton?

Senator OVERTON. I will say this, that we do not here appear in opposition to the bill as it passed the House. It depends on what is developed in the course of the hearing this morning on the part of representatives from Florida as to whether we have anything to say or not. If Florida desires to proceed, they may do so. I understand that Florida desires to make certain changes in the bill. While the bill is not altogether satisfactory to us in reference to the quota provisions and one or two other provisions, at the same time we do not want to make any appearance in opposition to the bill.

The CHAIRMAN. Your parties are not present yet, Senator Pepper?

Senator PEPPER. Not yet.

The CHAIRMAN. Is the Hawaiian representative here?

Mr. KING. Yes, sir.

The CHAIRMAN. I understood you desired to make a brief statement, Mr. King.

Mr. KING. Yes, sir.

The CHAIRMAN. All right.

STATEMENT OF HON. SAMUEL W. KING, A DELEGATE IN CONGRESS FROM THE TERRITORY OF HAWAII

Mr. KING. Mr. Chairman and members of the committee, I appear here to represent the Territory as a whole and not particularly the sugar industry as such. I am speaking for the people of Hawaii rather than the particular industry. Of course, it is true that that is our principal industry and it concerns the welfare of many of our people. They are dependent to a large degree on the prosperity of the sugar industry.

I would like to run over, very briefly, the conditions under which Hawaii came under the American flag. Most of this must be known to all of you, but, from the questions that have been put to me, there is some confusion as to the background of the annexation of Hawaii, due to the fact that we came into the Union along about the time that other parts of America's noncontiguous territory came in as captured territory. As a matter of fact, we were an independent country for more than 100 years and came under the American flag by voluntary annexation just the same way that Texas did. But it is true that during the entire course of negotiations commencing from 1851 up to the time of the consummation of those negotiations that America intended to treat us as an integral part of the United States. This was indicated in the joint resolution of annexation, which referred to the treaty then pending in the Senate.

The latter stated that "those islands shall be incorporated into the United States as an integral part thereof." The treaty of annexation was ratified by the Senate of Hawaii in September of 1897, and was pending in the United States Senate at the time annexation was consummated by the Newlands resolution, which by reference accepted annexation in accordance with that treaty. So, we came in under the American flag with the understanding that we would never be treated other than as an integral part of the United States. That has been carried out on the part of Hawaii as a Territory. That treaty was ratified by Hawaii in 1897 and in 1898 we were formally annexed. As a Territory we have had no benefit other than the benefits accorded to the United States as a whole. We have shared the duties and responsibilities of all national legislation. As an incorporated Territory, we are subject to all national legislation of a general character, as for example, taxation and revenue acts, regulatory measures, customs, and internal revenue. Our citizens and business enterprises share in common with those of the 48 States, all of the duties and responsibilities of the Federal Government. It is not true of us, as it may be true of some of the other noncontiguous areas, that we have had any special subsidy or benefit which differed from the mainland. We have shared all the responsibilities of citizenship, and while I may say that this was done by all of us with the greatest willingness, at the same time it has helped to carry the burden of the National Government, because we have paid into the Federal Treasury in taxes a great deal more than many of the States. Many of the States have given considerably less revenue to the Federal Government than Hawaii.

Senator CARTER. Will you tell us about the amounts you have contributed to the United States?

Mr. KING. As of 1930, a Department of Interior publication states that there had been paid into the United States Treasury by the Territory of Hawaii approximately $150,000,000 in excess of the amounts spent by the Federal Government in the Territory. As of 1936—the figures are in the letter which I will attach at the end of my statement—we have contributed roughly $207,000,000 to the Government of the United States, and as I recollect the figures, this is $140,000,000 more than was spent in the Territory for Territorial purposes. In other words, in 1936 Hawaii had a credit balance of $140,000,000 with the United States. It is true the military expenditures are not included in these figures, because they are for national military purposes and not for the Territory of Hawaii.

The point was made yesterday in the House by a gentleman whom I know and respect highly as the eminent chairman of the Rivers and Harbors Committee that we had derived great benefits from river and harbor improvements. That is true by reason of the fact that the United States Government has aided in the development of rivers and harbors of Hawaii as it has in the rest of the United States, but we have always met our share.

Senator KING. That was for the purpose of providing for the needs of the Navy there, was it not, in Pearl Harbor, and so on?

Mr. KING. Yes, sir; and the development of the harbors to a depth of 35 feet, as mentioned by Mr. Mansfield, was for the purpose of permitting battleships that draw 30 feet and a little over, entrance to those harbors. We have met our share of the expense.

It is also relevant to point out that this money spent in Hawaii on rivers and harbors and also the money on road improvement is deducted from this $140,000,000 I have mentioned. In other words, the $140,000,000 is after crediting the amount spent in Hawaii on roads and harbors and land-grant colleges.

There does not seem to be any disposition on the part of any Member of Congress that I have contacted to dispute the fact that we are an integral part of the United States and certainly no disposition to discriminate against us as a Territory. Most of them realize that in bearing our part of the burdens of the United States we are entitled to all of the benefits.

The question is sometimes raised that we are an alien group. That is absolutely untrue. From the time of annexation we were all automatically made United States citizens, and since then with a gradual cessation of immigration our percentage of native-born citizens has gone up steadily and the percentage of immigrant population has gone down steadily. I want to point out that many of our aliens are those that are debarred from becoming naturalized by our naturalization laws. We have a smaller percentage of foreign-born citizens than many States. New York has a greater percentage than we, and even California and other States have higher percentages than Hawaii of foreign-born citizens. Some of them can become naturalized. We have a higher percentage of native-born citizens—born under the American flag—than many of the States.

Senator BROWN. I understand we are going to have hearings for only a couple of hours and it is impossible to get everything in in that time. I think Mr. King would make more progress by devoting himself to the issues than this discussion.

The CHAIRMAN. I understand that his brief covers all of these points.

Mr. KING. Yes, sir.

Mr. BROWN. You have no objection to this bill outside of section 207, have you?

Mr. KING. No, sir.

Senator BROWN. Which restricts Hawaii to a quota of 29,616 tons of refined sugar?

Mr. KING. Yes, sir.

Senator BROWN. It appears to me you ought to confine yourself to that.

Mr. KING. Yes, sir; I will go right ahead on that point.

Senator KING. It seems to me that in view of some of the statements made in the House which were disseminated very widely concerning Hawaii and its people, that the Delegate is only discharging his duty in refuting them and I am glad to have it.

The CHAIRMAN. We are not going to dispute that.

Mr. KING. Practically all of the attacks made on Hawaii were made by those who have not been there. Everybody who has been to the islands and every Senator who has been to the islands is a warm friend of the islands, and they understand the background and realize the untruthfulness of the attacks made on Hawaii.

Senator VANDENBERG. I join in that statement.

Mr. KING. In reference to the specific bill before us, the point that I would like to emphasize is that we are under two restrictions. We share with the domestic areas the restrictions on quotas and also an additional industrial restriction. Secretary Wallace himself testified in an official report that during the period of the A. A. A. we suffered a loss of some 500,000 tons which we could have produced. That was because we were limited in production. It is true that other domestic sugar-producing areas have not suffered such a production restriction with possibly the exception of Florida. But Puerto Rico was also cut in its quota under the original Jones-Costigan Act. In addition to that, we have this additional industrial ban stipulating that we must confine our refined sugar to 3 p rcent of this total quota. It is on this point that I rest my statement that there is a discrimination against us as a part of the United States.

The CHAIRMAN. Is there any restriction in the Jones-Costigan Act other than is in this act?

Mr. KING. No. The refined restriction is about the same under the Jones-Costigan law, but we opposed the law for the same reason. Unfortunately, what was enacted as an emergency measure then is now held as a precedent for permanent legislation. But Hawaii has suffered under two restrictions—one as to production and another as to refining. No other area on the mainland has that restriction. Whatever they may produce they refine as they please and where they please.

Senator CONNALLY. That is quite a different situation theoretically. They have it here and they do not export it.

Mr. KING. The sugar leaving Hawaii is no more an export than sugar leaving one part of the United States for some other part of the United States. We are under the same economic system as every other part of the United States.

Senator CONNALLY. Are you under the same economic system as to labor and wages?

Mr. KING. Yes, sir; so far as the Federal laws are concerned.

Senator CONNALLY. So far as the Federal laws, but you are not in fact?

Senator GEORGE. Are you under the wages-and-hours law of the United States?

Mr. KING. Yes, sir.

Senator GEORGE. Are you not excluded from that law?

Mr. KING. No, sir. In fact they left us out and I wrote to Mr. Connery and asked to be included and we were included as the bill passed the Senate.

Senator CONNALLY. That is not true of the Philippines, is it?

Mr. KING. No, sir. I am not speaking of the Philippines, but I am speaking of Hawaii.

Senator CONNALLY. The Philippines are related to this problem just the same way that Hawaii is, are they not?

Mr. KING. The Philippines have become a commonwealth and are treated as a semiforeign country.

Senator CONNALLY. Philippine labor does come into Hawaii, does it not?

Mr. KING. No, sir. Not since the beginning of the Philippine Independence Act. In fact, there has been a very substantial repatriation of those who were in Hawaii since the passage of the Independence Act. As a matter of fact, Congress provided that Filipinos under certain conditions could be brought into Hawaii, but that provision of the Independence Act has never been invoked. I have offered a bill to repeal that which has passed the House and is now on the Senate Calendar.

If I may repeat, in reference to this industrial quota, this is a new principle in an agricultural control law—to have an agricultural quota and to put on top of that an industrial quota. I appeal to Congress as in a way trustees for the people of Hawaii, because we are not a State and we have no voting representation in the House and Senate, and Congress as a whole are the trustees for the rights and privileges of the people of Hawaii.

My principal objection to this is not so much the material interests involved. There will be a representative of the sugar industry that will go into the details as to the material interests involved by it and answer the Senators' questions on specific points, but I do want to say if this principle is accepted and established, it will be like the present ban in the Jones-Costigan Act, it will be used as a precedent for a further ban.

We are dependent on two agricultural commodities, sugar and pineapples, and if this is applicable to one industry it may be made applicable to another industry. The fundamental principle is wrong and it gets right down to the vital position of the people of Hawaii who are about 80 percent American citizens by birth under the American flag.

The CHAIRMAN. Your practice heretofore has been to bring sugar to the Pacific coast by Hawaiian interests and refine it there to about 75 percent, is that right?

Mr. KING. Yes, sir.

The CHAIRMAN. And very nearly 25 percent of the remainder has been sent to the east coast for refining purposes; is that a fact?

Mr. KING. Yes, sir; and that has been a very recent development only within the past 6 years or so.

The CHAIRMAN. Until recently, how many refineries have you had in the country?

Mr. KING. At the time the Jones-Costigan Act was passed we had one refinery, refining about 29,000 tons of sugar.

The CHAIRMAN. That was all that was refined in this country?

Mr. KING. Yes, sir.

The CHAIRMAN. And this does not cut that down?

Mr. KING. No, sir.

The CHAIRMAN. In other words, it leaves a status quo?

Mr. KING. Practically.

Mr. Chairman, may I request permission to file for the record a copy of the letter I addressed to you giving the basis of the Hawaiian position?

The CHAIRMAN. Yes; that may be inserted.

(The letter referred to is as follows:)

APRIL 28, 1937.

The Honorable PAT HARRISON,
Chairman, Committee on Finance, United States Senate.

DEAR SIR: Proposed sugar legislation is now receiving the attention of your committee. As it vitally affects the Territory of Hawaii, I write, as Delegate from that Territory, to urge that Hawaii be accorded its just position as an integral and inseparable part of the United States and that it receive in all respects equal and equivalent treatment to that accorded other parts of our country. Any other treatment would be unjust and un-American, and would violate the understanding under which Hawaii became a part of the United States.

While the pending measures relate to sugar, the issue is far broader than its effect on our sugar industry, important as that is to our Territory. It affects every man, woman and child in the Territory; it affects every industry; it affects all our commerce. Therefore, when I urge these views, I do so in behalf of all our citizens, and all our industries, for your decision will affect the future status of every resident of the Territory.

HAWAII IS AN INTEGRAL AND INSEPARABLE PART OF THE UNITED STATES

Hawaii became a part of the United States in 1898 through the voluntary action of two independent sovereignties—the Republic of Hawaii on the one hand, and the United States of America on the other.

Discovered by Captain Cook in 1778, Hawaii was an independent sovereignty until its annexation in 1898—first a kingdom and latterly a republic. In 1875 it made a reciprocity treaty with the United States under which each admitted the principal products of the other, free of duty.

In 1897 a treaty of annexation was negotiated between commissioners appointed by the President of Hawaii and the Honorable John Sherman, Secretary of State of the United States, which stated as its purpose: "* * * that those islands shall be incorporated into the United States as an integral part thereof."

This treaty was ratified by the Senate of Hawaii September 9, 1897.

Annexation was accomplished by the Newlands resolution (Res. No. 55 July 7, 1898; 30 Stat. L. 750) of July 7, 1898, which recites that:

"Whereas the Government of the Republic of Hawaii having in due form signified its consent, in the manner provided in its constitution, to cede * * *,

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That said cession is accepted, ratified, and confirmed * * *."

On August 12, 1898, pursuant to the treaty and resolution, the sovereignty and property of Hawaii were formally yielded and transferred to the United States. In the attendant ceremony, President Dole, of the Republic of Hawaii, made the following statement to Hon. Harold M. Sewall, United States Minister:

"A treaty of political union having been made, and the cession formally consented to and approved by the Republic of Hawaii, having been accepted by the United States of America, I now, in the interest of the Hawaiian body

politic and with full confidence in the honor, justice, and friendship of the American people, yield up to you as the representative of the Government of the United States, the sovereignty and public property of the Hawaiian Islands."

The property of the Republic of Hawaii was thereupon transferred to the United States. This property included funds in the treasury, the public buildings, forts, docks, and like improvements of a value of $6,271,040 (Report of Hawaiian Commission, 1898, p. 12). Included also were the public lands having an area of 1,720,000 acres and of an estimated value ranging between five and thirty million dollars (Hawaiian Investigation, U. S. Senate subcommittee 1903, pp. 583–586).

The Territory of Hawaii, as an incorporated Territory, is subject to all national legislation of a general character, as for example, taxation and revenue acts, regulatory measures, customs and internal revenue, coastwise and shipping laws, and the regulation of interstate commerce. Its citizens and business enterprises share, in common with those of the 48 States, all of the duties and responsibilities of the Federal Government.

All Federal taxes and other internal-revenue receipts go into the Treasury of the United States. For many years the total internal-revenue collections, including Federal taxes from the Territory have been consistently greater in amount than those of 13 States and in 1936 exceeded those from 16 States. (See appendix.)

Dr. Ernest Gruening, Director of the Division of Territories of the Department of the Interior, in an interview which appeared in the New York Times of November 4, 1934, said:

"Hawaii * * * has paid an average of more than $5,000,000 a year to the Central Government for the 34 years since annexation, a total of $185,000,000. The Central Government has spent an average of a little more than $1,000,000 a year, a total of $35,000,000 on the Territory, thus leaving a direct net profit of $150,000,000 in taxes alone from those islands. It is the only example of such a profit in American history. Hawaii pays more taxes in Washington than do 10 individual States."

The institutions and ideals of the Territory are, and long before annexation were, such as are shared by fellow Americans in other parts of the United States.

As shown by the 1930 census, the total population of the Territory was 368,336. Of his number 299,769, or 81.4 percent, were native born; only 18.6 percent were foreign born. This compares with a country-wide average of 11.6 percent of foreign born, and an average for California of 18.9 percent foreign born, and New York 25.9 percent foreign born.[1]

There is no logical, honorable, or legal basis for discriminating against the Territory of Hawaii in favor of any other part of the United States. Its citizens are citizens of the United States. They bear all the burdens of citizens of the United States and are entitled to all the benefits of citizens. The Territory is an inseparable part of the United States; it became a part of the United States as the result of its voluntary act as a sovereign state; it transferred its property to the United States and surrendered its sovereignty under the provisions of an agreement that it was to become an integral part of our Nation. As citizens of our country, we ask and expect in simple justice that we be accorded equal treatment with the rest of our country.

THE SUGAR INDUSTRY IN HAWAII

The growing and manufacture of sugar is the principal industry of the Territory. It represents an investment of more than $160,000,000; employs directly approximately 50,000 workers (about 40 percent of the entire civilian working population), and more than 110,000 persons—workers and their families—live on the plantations.

Sugar has been produced in Hawaii for over 100 years. Prior to annexation the annual production exceeded 250,000 tons. At the present time the production is approximately 1,000,000 tons per annum. The increase during the entire period has been gradual and has kept pace with the increase in the consumption of sugar in the United States.

In 1905 Hawaii supplied 14.3 percent of the total sugar requirements of the United States; in 1934 it supplied 14.5 percent; and last year, 1936, it supplied 14.0 percent.

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[1] Statistical Abstract of the United States, 1936.

This increase in production has come about largely through the introduction of better quality cane and improved agricultural methods, which have resulted in increased yields per acre. Research and experimental work, paid for by the producers at a cost of more than $500,000 per annum, has formed the basis of a highly developed system of permanent agriculture, in which soil conservation plays an essential part. The quality of the Hawaiian soils, instead of being impoverished over the years, has been steadily improving.

Two years are required to grow a crop of cane in the Territory. Two-thirds of the cane produced requires irrigation, and as it takes more than 500,000 gallons of water to grow a ton of sugar, an enormous and dependable supply of water is essential. In consequence, it has been necessary for the plantations to expend large sums for irrigation works, water often being brought from long distances through tunnels and ditches and great high lift pumps installed. In some plantations the cost for irrigation works exceeds $400 per acre.

These factors have made it necessary to conduct farming operations on a large scale and in the form of corporations, there being in all 30 plantations. The ownership of these plantations is widespread, there being more than 15,000 stockholders. In addition, a system of adherent planters has grown up where individual farmers cultivate their own tracts but enjoy the use of many plantation services. There are more than 4,000 of these planters.

Of the 250,000 acres devoted to sugar growing, 47 percent is on leased land, from which the Territorial government and hundreds of private lessors receive rentals based on the returns from sugar grown. In addition, approximately one-eighth of all the land is held in trust (the Bishop estate) entirely for the benefit of charitable and educational purposes in the Territory. Not only is the actual ownership of the plantations widely distributed, but the benefits of the industry are disseminated through the entire population.

The plantations pay the great bulk of the Territorial taxes. Sugar land is taxed on the same basis as improved business property in the cities. A comparison of the property taxes paid on sugar production in the Territory with similar taxes paid elsewhere (1920-32) shows:[1]

	Per acre per crop
Hawaii	$23.01
Louisiana	2.90
Beet area	2.31

Recognizing the rights of labor, as well as the necessity of having competent workers constantly available, provision has been made for year-round employment; and comfortable houses, recreational facilities, and medical and hospital service are provided without cost to the employee. The 8-hour day is in effect in the sugar mills, child labor is not permitted. The compensation paid agricultural workers in the sugar industry in Hawaii is higher than the average paid agricultural workers in the remainder of the United States.[2]

Statements have been circulated to the effect that the Hawaiian sugar industry employs cheap, oriental labor at low wages. The fact is directly to the contrary; the wages paid in Hawaii are higher than those paid similar agricultural laborers elsewhere in the United States and the compensation and living surroundings are more favorable to the worker. Forward looking and liberal labor policies long practiced in Hawaii are entitled to recognition and commendation.

If erroneous statements respecting this matter continue to be circulated, a Government investigation of labor conditions in all the sugar-producing areas would seem warranted. This would settle the questions of fact involved. Hawaii would welcome such an investigation and would cooperate fully.

The high taxes, high wages, and other conditions obtaining in Hawaii result in relatively high costs of production. In terms of refined sugar, it costs 4.11 cents to produce a pound of sugar in Hawaii as compared with 3.03 cents for beet sugar in the United States (U. S. Tariff Commission Report No. 73).

The income of Hawaii from sugar and other products goes, of course, for the products of other parts of the United States; for milk, meats, vegetables, flour, pork, beef, lumber, manufactured articles, and other things which Hawaii

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[1] Based on U. S. Tariff Commission Report No. 73.

[2] U. S. Department of Agriculture, the office of the Governor of Hawaii, and U. S. Department of Labor.

does not produce in sufficient quantity. In 1930, Hawaii bought $85,700,000 worth of the products of other parts of our country.

In 1930, Hawaii purchased more products from the rest of the United States than were purchased by any but five foreign countries, as is shown by the following table compiled from statistics published by the United States Department of Commerce:

1. United Kingdom	$140,000,000
2. Canada	384,000,000
3. Japan	201,300,000
4. France	129,500,000
5. Germany	100,600,000
Territory of Hawaii	85,700,000
6. Mexico	70,000,000
7. British South Africa	71,200,000
8. Cuba	67,400,000
9. Belgium	58,800,000
10. Italy	58,800,000
11. Australia	58,500,000
12. Argentina	50,000,000
13. Netherlands	52,800,000
14. Brazil	49,000,000
15. China	46,800,000
16. Sweden	43,100,000
17. Colombia	27,000,000
18. British India	26,800,000

While Hawaii grows agricultural products besides sugar, sugar is the backbone of Hawaiian economy. Land now used for sugar cannot be economically used for other products. To restrict the free flow of sugar from Hawaii in interstate commerce, would be to strangle the Islands. Automatically it would reduce the purchase of goods from other parts of our country, but beyond that, it would paralyze the business life and commerce of Hawaii and would back up into unemployment, reduce Territorial income from taxes, lessen money for education, and bring about the fatal consequences of a languishing essential industry.

I am confident that with a knowledge of the facts, Congress will not permit such a wrong.

HAWAII UNDER THE JONES-COSTIGAN ACT

Sugar was not included originally as one of the basic commodities under the Agricultural Adjustment Act.

However, on May 9, 1934, Congress enacted the Jones-Costigan Sugar Act. This provided a system of quotas under which the consumptive requirements of continental United States were allotted to the various sugar-producing areas. As originally proposed by the President, there was no discrimination against Hawaii, but during the consideration of the legislation in Congress, minimum quotas were written into the bill for continental beet sugar and continental cane sugar; Hawaii being relegated to a secondary position as a participant (with foreign countries) in what was left after the continental quotas were satisfied. At the same time the cane sugar refiners succeeded in inserting a provision which restricted the quantities of refined sugar (as distinguished from raw) that could be brought into continental United States. Under this provision, Hawaii was restricted to 29,616 tons of refined sugar, or approximately 3 percent of its total sugar quota.

The basic principles of the Jones-Costigan Act were the restriction of production (or supply) of sugar to consumptive requirements; the imposition of processing taxes on sugar; and benefit payments to sugar producers in consideration of their agreeing to crop restriction and labor standards, determined by the Secretary of Agriculture.

The basis for the allotment of quotas was to estimate sugar consumption in continental United States—and apportion this among the various areas upon the basis of previous production for representative periods. Continental beets and continental cane were, however, given fixed minimum quotas (1,550,000 tons for beets and 260,000 tons for cane), which exceeded their average production in the representative period. They were also given a fixed percentage

of the amount by which continental consumption might exceed the base figure of 6,452,000 tons.

The effect of this legislation insofar as Hawaii is concerned was threefold. First, it created for the first time a new governmental conception of the United States, "continental" United States as distinguished from the United States itself; and because Hawaii was outside "continental United States" geographically, it was put in the position of being outside the "United States" politically and was relegated the position of an "offshore" area, with the insular possessions of the United States and foreign countries, such as Cuba.[1]

In the second place, because of the fixed minimum allotments to the continental beets and cane, it placed Hawaii in the position where it could only participate with foreign countries on the same limited basis in whatever might be left—the residue, so to speak—a distinctly inferior position to that occupied by the States.

In the third place, not only did it place a restriction upon the quantity of sugar which Hawaii might ship into continental United States, and hence the amount which it could produce (for Hawaiian sugar cannot be economically marketed elsewhere) but it restricted the form in which it could be transported—all in excess of 3 percent had to be transported as raw sugar, and not as refined sugar—although the only difference is that refined sugar is raw sugar with the remaining molasses washed out of it—just like telling California that it could ship wheat, but not flour.

As provided in the Jones-Costigan Act, the Secretary of Agriculture proceeded to fix the sugar quotas for 1934, and fixed that for Hawaii at 910,550 tons, raw value. This was a reduction of 76,950 tons per annum as compared with the shipments from Hawaii to the mainland during the previous 3 years, as shown by the following table:

	Tons
1931	987,000
1932	1,024,000
1933	989,500
3-year average	993,500
1934 quota	910,550
Average reduction per annum	76,950

On August 17, 1934, the Hawaiian producers filed suit in the District Court[2] of the District of Columbia to set aside the quota allotted to it, and challenging the validity of the act. On October 22, 1934, Justice Jennings Bailey filed an opinion upholding the validity of the act and of the Hawaiian quota.

An appeal was then prepared, but as the result of conferences with the Department of Agriculture an agreement was made on December 22, 1934, between the Secretary of Agriculture and the Hawaiian producers which provided for the execution of adjustment contracts, for benefit payments, and for revision of the sugar quotas based upon a reexamination of the statistics for the representative years. It also provided that upon the execution of the adjustment contracts the litigation would be terminated under a stipulation that it was to be without prejudice.

Adjustment contracts were later executed and, in accordance with the agreement with the Secretary, the appeal from Justice Bailey's decision was dismissed on July 12, 1935, pursuant to an agreement the parties filed in court, which provided:

"It is hereby agreed between the parties to the above-entitled cause that the adjudication in the court below in said cause is not to be asserted by either party in any other proceedings in this matter as the law of the case insofar

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[1] Dr. Ernest Gruening, Director, Division of Territories and Island Possessions of the Department of the Interior, in testifying before the special subcommittee of the Committee on Agriculture in connection with hearings on H. R. 8320 (p. 357) said: "Our protest is embodied in the fact, as I say, that the bill perpetuates a new geography. It creates two kinds of territory for America. It creates a continental and an offshore America. We cannot recognize such a division and such a distinction. There is no warrant or justification for it whatever. We think it is just as unwarranted to make this division, as to make a similar division based on any physical or historical factor such as the Mississippi River, for instance, and to say that Americans living west of that river are entitled to some kind of consideration and Americans east of it to another kind, or to base such discrimination on the Continental Divide, or the Mason and Dixon's line. We only know one kind of America, and that includes all the land where the flag flies, and American citizens dwell. We do not recognize two kinds of Americans, continentals and offshore Americans. * * * We can recognize only two classifications—domestic and foreign."

[2] Then designated The Supreme Court of the District of Columbia.

as it relates to the right of Congress to discriminate against Hawaii as distinguished from continental United States."

As the Jones-Costigan Act was deemed emergency legislation and that of a temporary character, the Hawaiian producers felt that it was their duty to cooperate in its operation, provided they were accorded anything like fair recognition. They were met in a friendly and fair spirit by the representatives of the Department of Agriculture, and the settlement arrived at was deemed to be a practical disposition of a difficult problem. It was realized that it would be impossible to depart from the provisions of the Jones-Costigan Act without upsetting it in its entirety, and that this was not to the interest of any sugar-producing area.

The agreement dismissing the appeal was specially worded so that the litigation would not constitute a holding or decision that Hawaii, under the Constitution, could be treated any differently than any other part of the United States. That Justice Bailey's decision was not considered final clearly appears from the fact that the adjustment contract gave Hawaii an increase in its quota of 33,480 tons over the quota fixed prior to that decision.

THE ADJUSTMENT CONTRACT

The terms of the adjustment contract and the effects of its operation are succinctly stated by Secretary of Agriculture Wallace in his report to Congress (S. Doc. 274, 74th Cong., 2d sess.):

"By the terms of the Hawaiian sugar-production-adjustment contract, the plantation producers agreed that they would make the necessary reduction on plantation land and not on that of the 3,002 small adherent planters who were paid a share of the benefit payments by the plantation producers. A total area of 24,238 acres of plantation sugarcane land, or 10.8 percent of the 225,077 acres of land on which cane was grown under plantation administration was fallowed, and thereby taken out of production, in the course of reduction of the quantity of sugar produced. No reduction for the purpose of restriction of production was made in the area of 32,909 acres on which the 3,002 adherent planters grow sugarcane. During the 2 years of 1934 and 1935, the total areas of adherent planter lands which were withdrawn from sugarcane production due to various natural causes, amounted to only 88 acres, or one-quarter of 1 percent.

"The 39 plantation producers also agreed that they would bring about 'reduction in production required by the contract in such a manner as to cause the least labor, economic, and social disturbance', and, pursuant to this agreement, they did not discharge or lay off any of the workers employed on the several plantations by reason of such reduction of production, or because of any provision of the production-adjustment contract. In addition, the contract included labor provisions which prohibited the employment of children under 14 years of age, limited labor of children between 14 and 16 years of age to 8 hours a day, and called for compliance with any minimum-wage or maximum-hour determinations by the Secretary of Agriculture. It also provided that the Secretary might adjudicate labor and contract disputes.

"The plantation producers, on November 1, 1935, inaugurated a new bonus system by which the employees receive a larger share of the returns from higher prices of sugar, including for the purposes of this bonus benefit payments a part of the price of sugar. The total payments under the bonus plan for the period of 6 months, November 1935 to April 1936, is estimated at $1,101,326. It is also estimated that such bonus payments would have amounted to between $2,500,000 and $3,000,000 per annum, had benefit payments been continued.

"Under the 2-year crop cycle on which sugar cane is grown in the Territory of Hawaii, the reduction in production already effectuated pursuant to the contract affects the 1935, 1936, and 1937 crops to the extent of a total estimated reduction of 522,625 tons of sugar."

EFFECT OF OPERATIONS UNDER JONES-COSTIGAN ACT

Insofar as the Jones-Costigan Act is concerned, the effect of its operation on Hawaii may be summarized as follows:

1. It required the abandonment of cane production of 24,238 acres of land (10.8 percent of the total cane area). This reduction was absorbed entirely by the plantation producers.

2. Production was reduced during the 3-year period 1935, 1936, and 1937 by an estimated aggregate of 522,025 tons.

3. The hour, wage, and other labor provisions of the agreement were made effective; no workers were discharged because of the reduction, but all were retained in employment, and they participated in the proceeds of the benefit payments.

4. Benefit payments were made to the producers, to compensate them for their reduction in production and to bring about parity prices. The amounts paid Hawaiian producers as compared with those paid producers in other areas were as follows (for 1934–35):

Beet area (per ton of sugar)	$10.85
Louisiana Florida cane area (per ton of sugar)	21.00
Hawaii (per ton of sugar)	6.35

No payments were made for the period following December 31, 1935, due to the invalidation by the Supreme Court of the A. A. A. processing tax.

As shown above, the payment per ton of sugar was actually only one-third as large as that paid to Florida and Louisiana producers and less than two-thirds of that paid the beet growers. Sugar production in Hawaii is only possible as a large-scale operation.

The benefit payments did not result in unreasonable profits to the Hawaiian producers. For the 2 years 1934–35, during which benefit payments were paid, the average return to all the plantation producers in Hawaii amounted to less than 6½ percent per annum on their invested capital, probably a lower net profit than that received by producers or processors in any other domestic area.

STOP-GAP LEGISLATION

The A. A. A. was declared invalid by the Supreme Court on January 6, 1936. In consequence the processing taxes and benefit payments under the Jones-Costigan Act terminated. Legal authorities were of the opinion that the quota provisions of that act were severable and were still effective.

However, the Jones-Costigan Act was an emergency act and for a limited period. By its own terms it was to expire on May 8, 1937 (3 years after its enactment), or it might be terminated earlier at the discretion of the President. Recognizing the necessity of continuing the quota system pending the consideration of more permanent legislation, Congress by joint resolution (Public, 109, 74th Cong.) approved by the President June 10, 1936, continued the quota provisions of the Jones-Costigan Act until December 31, 1937.

PERMANENT LEGISLATION

The President, on March 1, 1937, addressed Congress, pointing out the desirability of its considering the enactment of new sugar legislation, and recommending the enactment of a quota system, coupled with a processing tax, and benefit payments. It was pointed out that such legislation should protect the interests of labor and of the small producer, and that safeguards should be included which would effectively protect the consumer.

On March 2, 1937, Senators O'Mahoney and Adams introduced a sugar bill in the Senate (S. 1757) and an identical bill (H. R. 5326) was introduced in the House by Representative Marvin Jones.

Hawaii was shocked to find that these measures, intended as permanent legislation, not only perpetuated the existing discriminations against it but increased them.

The seriousness to Hawaii of the enactment of permanent legislation of this character is at once apparent. The Jones-Costigan Act was emergency legislation, to terminate in 3 years, or earlier, by its own terms. Despite its just complaint that this measure unfairly discriminated against it in favor of other parts of the United States, Hawaii felt that in view of the emergency it was its duty to cooperate and join in the program, in the reasonable expectation that when permanent legislation was considered it would be accorded its just position.

Hearings on H. R. 5326 were held before a special subcommittee of the Committee on Agriculture (Mar. 15–22, 1937), at which time all interested parties were given an opportunity to present their views. Representatives of Hawaii protested against the provisions of the bill discriminating against the Territory, and urged that it be placed on the same basis as other parts of the United States. Dr. Ernest Gruening, Director, Division of Territories and Island Possessions of

the Department of the Interior, appeared in behalf of that Department, and urged that Hawaii be treated on an equality with other parts of our country.

On March 13, 1937, the Secretary of the Interior addressed the following letter to the Secretary of Agriculture:

THE SECRETARY OF THE INTERIOR,
Washington, March 13, 1937.

The honorable the SECRETARY OF AGRICULTURE.

MY DEAR MR. SECRETARY: I desire to call to your attention some of the grave discriminations against the Territory of Hawaii which occur in Senate bill no. 1757, introduced by Senators O'Mahoney and Adams, and in the companion bill, H. R. 5320.

The position that this Department has taken consistently and wishes to reemphasize at this time is that the people of Hawaii are citizens of the United States in the fullest sense of the word and that any discriminatory treatment of them in legislation is unjust and unjustifiable. Specifically their sugar planters are entitled to the consideration that is accorded the beet sugar growers of Colorado or Michigan, or the cane growers of Florida and Louisiana. Hawaii is an integral part of the Union; it pays more taxes to the Federal Treasury than 15 of our States.

I do not desire at this time to go into details specifically regarding the half-dozen or more passages in this bill which are discriminatory and unfair to Hawaii. However, I have asked Mr. H. K. Burlew, my administrative assistant, and Mr. Ernest Gruening, Director of the Division of Territories and Island Possessions, to take up these discriminations with Mr. J. B. Hutson, Assistant Administrator of the Agricultural Adjustment Administration, and Mr. Joshua Bernhardt, Chief of the Sugar Section of the A. A. A., with a view to securing the collaboration of the Department of Agriculture in obtaining amendments to this bill so that the injustices to Hawaii may be eliminated.

It is my hope that we may count on your sympathy and cooperation in this matter.

Sincerely yours,

CHARLES WEST,
Acting Secretary of the Interior.

On April 8, 1937, Secretary of Agriculture Wallace transmitted to the committee a draft of a bill, which, while retaining all of the essential provisions of the pending bill, placed Hawaii on the same basis as the rest of the United States. In his letter he stated:

"It will also be noted that the suggested changes would effectuate the recommended principle of fair treatment among all domestic areas by avoiding any discrimination with respect to either the right to carry on manufacturing operations or the right to participate in deficits and increases in consumption."

This recognition, by the administration, of the status and rights of Hawaii, is significant of its desire to insure that just and equitable treatment be accorded our Territory.

But the equality of treatment proposed by the administration has not been accepted, and various interests are urging provisions which would permanently place Hawaii in the status of a foreign country.

Hawaii does not ask an increased quota. It does not ask an additional pound of sugar. It asks nothing that affects in the slightest degree the interests of any other agricultural producer in the United States.

All it asks is recognition of its just status as an integral and inseparable part of the United States—treatment upon a parity with the States of the Union.

It may be asked why, if Hawaii is not seeking additional quotas, it is so concerned with the pending legislation. Its concern lies in the fact that this is permanent legislation, and if Hawaii is placed in an inferior position, it is inevitable that in the future it will be subject to possible reductions in its quota or further discriminatory treatment, and, having once been discriminated against, it will constitute a precedent for other and further discriminations against the Territory, which will affect its other industries, and indeed the rights, privileges, and liberties of all of its citizens.

THE OPPOSITION TO THE RECOGNITION OF HAWAII'S STATUS

It would seem that there should be no objection to giving recognition to Hawaii's claims. But there is objection by the Atlantic coast cane-sugar refiners.

The opposition of the eastern cane sugar refiners is based upon the fact that if Hawaii is placed on an equality with the rest of the United States, it will no longer be subject to the restriction preventing it from transporting more than 3 percent of its sugar as refined sugar. The refiners contend they will be injured if Hawaii is permitted to transport its sugar as refined sugar, for the Hawaiian sugar they now refine would then be refined in Hawaii and they would lose this business.

As later pointed out, this is only, in part, the basis of the refiners' objection. Under the Jones-Costigan Act areas are restricted from transportation of refined sugar in excess of the following percentages of their respective quotas:

	Percent		Percent
Puerto Rico	53	Cuba	22
Philippine Islands	8	Hawaii	3

No limitation whatever is placed upon refining by cane or beet growers in continental United States.

The Sugar Act of 1937 proposes to perpetuate this condition, under which Hawaii is not permitted to refine its own sugar, beyond 3 percent, while Cuba, a foreign country, is permitted to bring in 22 percent or more than seven times the percentage of the Territory of Hawaii.

It would be equally illogical and unfair to prevent Colorado from refining sugar from the beets grown there, and to compel it to ship its raws to Chicago for refining.

The eastern refiners' objection to equal treatment for Hawaii is not only based upon their desire to prevent it from refining its own sugar but the fear that Puerto Rico, the Philippines, and Cuba will also be permitted to bring in their entire quotas in the form of refined sugar. But these fears furnish no proper basis for attempting to deprive Hawaii of its just rights.

Hawaii is not objecting to the proposed sugar act simply because it prohibits it from refining its own sugar. It asks equal treatment because discrimination in any respect now, will invite further discrimination in the future, not only as respects sugar, but as respects other matters. The right to refine its own sugar is but a part of a far larger and more important situation. It is a matter of principle on which there can be no compromise.

REFINED SUGAR FROM HAWAII

The eastern refineries in their desire to prevent equal treatment for Hawaii have concentrated their attack on refined sugar from Hawaii. An endeavor is made to convince mainland refinery labor, and even the beet producers, that they will be injuriously affected. No such injury will occur as the facts demonstrate.

The plantation producers of Hawaii realized years ago that they should take their agricultural products direct to their markets without the intervention of middlemen. This is the doctrine that the Department of Agriculture has been urging as one of the most important aids to the farmer-cooperative marketing. Most of the Hawaiian producers many years ago formed a non-profit cooperative sugar refining company, the California & Hawaiian Sugar Refining Corporation, Ltd., which refines the sugar of its members, markets it, and returns the proceeds to its members.

This cooperative maintains the largest sugar refinery in the world at Crockett, near San Francisco, Calif., and markets its sugar under various brands which it has built up through extensive advertising.

For some years prior to 1920, when the California beet industry was in difficulty, all of the Hawaiian sugar was refined at Crockett, with the exception of about 125,000 tons per annum, which was and still is refined at the Western Sugar Refinery, a private refinery on San Francisco Bay.

As the beet production in the Western States, including California, increased, this beet sugar sought its natural market in the areas nearby. As Hawaiian sugar had been previously sold in these markets, the Hawaiian producers were faced with the alternative of continuing to market all of their sugar in this area, or seeking markets elsewhere for a part of their production.

They determined upon the latter course and beginning in 1920 commenced marketing a portion of their sugar on the eastern seaboard by selling it to eastern refiners. It was not until 1932 that a quantity approximating the present ships was first sent to the Atlantic. The quantities of Hawaiian raw sugar shipped to eastern refineries was as follows:

	Short tons		Short tons
1922	None	1930	92,589
1923	None	1931	169,401
1924	None	1932	259,973
1925	None	1933	269,000
1926	None	1934	319,078
1927	None	1935	293,092
1928	None	1936	318,249
1929	61,827		

Thus, Hawaiian producers, who had previously refined all their sugars in California, came to send a portion of their production to the Atlantic coast to be there refined.

This action by the Hawaiian producers, in transferring a portion of their market to the Atlantic coast was naturally helpful to western beet growers, for it afforded them a larger portion of the western market; but it gave no equitable or just claim to the Atlantic refiners to refine in perpetuity a fixed quantity of the sugar of the Hawaiian producers.

The Atlantic refiners are now attempting by legislation to force the Hawaiian growers to sell their raw sugar to them and to prevent the Hawaiian growers from refining their own sugar. They also attempt by legislation to perpetuate themselves as middlemen between agricultural producers and their market directly contrary to the modern trend of handling agricultural products.

The Hawaiian producers have no intention of abandoning their San Francisco Bay Refinery. It will continue as in the past to refine the great bulk of their Hawaiian sugars. But Hawaii does insist on its right to refine in Hawaii, if it sees fit, the sugar it produces, including that which it now sells to eastern refiners, who, because of existing legislation, have a monopoly on its purchase.

If Hawaii refines its own sugar for the Eastern States, such sugar will find its way to the same consumers on the Atlantic seaboard who now buy Hawaiian sugar refined by the Atlantic refineries. It will be marketed under the same brands as Hawaiian sugar is now marketed through its own cooperative refinery, and will not depress or affect in any way the market for beet sugar. The way in which Hawaiian producers have cooperated with beet-sugar producers in the Pacific coast market (where the differential between beet and cane is 10 cents per hundred, as compared with 20 cents per hundred on the Atlantic coast) is evidence that they are interested in a stable market for sugar at a reasonable price. As Secretary Wallace has pointed out, price is finally fixed by supply and demand, and where, under the quota system, the supply from Hawaii is definitely limited, the producers of Hawaiian sugar have no interest other than to maintain a stable market. Their past record is a sufficient earnest of their future action.

But for the eastern refiners, through legislation supposed to be for the benefit of agriculture, to attempt to legislate themselves into a position where they have a monopoly of a fixed quantity of Hawaiian sugar, is without equity or logic. Refining of Hawaiian sugar in Hawaii would have an infinitesimal effect on labor in eastern refineries. A comparatively small quantity was refined there prior to 1933, less than 4 years ago (and none at all for some years prior to 1929). If all of such sugar were refined in Hawaii, it would displace very little labor in the Atlantic coast refineries, and would employ an equivalent number of men elsewhere in the United States.

LABOR IN HAWAII

Much misinformation has been spread about labor in Hawaii. Some have referred to it as a "low cost" area with "cheap oriental labor." The fact is that labor conditions in Hawaii are better than the average conditions obtaining in agriculture in other parts of the United States; the wage paid is higher than the average agricultural wage in other parts of the United States; the 8-hour day is in effect in the mills; there is no child labor; year-round work is provided; and the housing, education, hospital, and medical conditions are superior to those which exist with respect to agricultural labor in other parts of the United States.

President Roosevelt on his visit to Hawaii on July 28, 1934, said in an address at Honolulu:

"And I have seen with my own eyes that you are doing much to improve the standards of living of the average of your citizenship. That is as it should be, and I know that you will put forth every effort to make further progress.

There are, indeed, many parts of the mainland of the United States where economic and educational levels do not come up to those which I find here.

"And may I compliment you also on the excellent appearance of neatness and of cleanliness in the homes, those homes which I have seen in all parts of the islands; they deserve emulation in every part of the Nation."

Instead of being a "low-cost area", the United States Tariff Commission in its Report No. 73, finds the cost of sugar produced in Hawaii, delivered in refined form at market, is slightly higher than the average cost of beet sugar.

As already stated, 81.4 percent of the total population of the Territory are native born; 18.6 percent only are foreign born, as compared with an average in California of 18.9 percent foreign born and New York of 25.0 percent foreign born.

No Chinese have been admitted to Hawaii since annexation in 1898, at which time the provisions of the Chinese Exclusion Act became applicable to it as a part of the United States.

No Japanese laborers have come to any part of the United States (including Hawaii, of course) since the Roosevelt-Ishii gentlemen's agreement of 1908.

Immigration of Filipinos to Hawaii practically ceased a number of years before the enactment of the Tydings-McDuffy Philippine Independence Act (Public, No. 127, 73d Cong.) March 24, 1934.

While section 8 (a) (1) of that act permits Filipinos to enter Hawaii as "determined by the Department of the Interior on the basis of the needs of industries in the Territory of Hawaii", this provision expires automatically with the consummation of Filipino independence, and under it no new Filipino laborers have entered.

The arrivals of Filipinos in Hawaii since the enactment of the Filipino Independence Act have consisted of returning residents and have averaged less than 150 per year, while the departures have averaged in excess of 2,500 per year.[6] In the 5-year period 1932-36, inclusive, the excess of departures over arrivals was 18,106.

CONCLUSION

The proposed treatment of Hawaii is based on an amazing principle that if a Territory of the United States is separated from the continent by salt water, then discrimination against it is justified. When Oklahoma was Indian Territory no one would have thought of legislating against it in a discriminatory manner. Surely it cannot be true that the mere fact that Hawaii is an island warrants any such differentiation.

Hawaii represents the defensive outpost of the United States in the Pacific. Its value to our country from a military standpoint is incalculable.

When, in 1898, Hawaii became a part of the United States, as the voluntary action of two independent and sovereign countries; when it turned over to the United States the money in its treasury, its public buildings and lands, and over 1,000,000 acres of public domain, it did so upon the understanding that it was to become an integral and inseparable part of the United States.

Decent standards of public morality, to say nothing of the finer sensibilities that should govern human conduct under such circumstances, dictate that these people, who surrendered their sovereignty to this country because they believed in its principles and ideals and wished to become a part of it—a people who have paid $150,000,000 more in taxes to the Federal Government than they have received in appropriations from it—should receive equal treatment with all other people under our Constitution and flag.

Hawaii does not want better treatment or different treatment—it wants equal treatment. It feels that it is entitled in justice and honor to such treatment. It was a party to a compact with the people of the United States under which the free people of Hawaii surrendered their independent sovereignty and public domain in the belief that they would be treated as American citizens. The legislation, as recommended by the House Agricultural subcommittee, would suggest

[6] See table below:

Year	Arrivals in Hawaii	Departures from Hawaii
1934	132	4,028
1935	152	2,240
1936	105	1,570

that all the United States wanted was a fortress in the Pacific, and intended that these free people should occupy the inferior position of subjects of a distant sovereignty governed in the interests of other parts of our country and classed with foreign nations. Hawaii has supreme confidence that our Government will not permit such an injustice to be done.

President Roosevelt has visited Hawaii and knows the Hawaiian people and what they have done. He summed up his views in an address in Honolulu on July 28, 1934:

"I leave, also, with pride in Hawaii—pride in your patriotism and in your accomplishments. The problems that you are solving are the problems of the whole Nation, and your administration in Washington will not forget that you are in very truth an integral part of the Nation.

"In a fine old prayer for our country I found these words: 'Fashion into one happy people those brought hither out of many kindreds and tongues.' That prayer is being answered in the Territory of Hawaii.

"You have a fine historic tradition in the ancient people of the Island, and I am glad that this tradition is so well maintained. You have built on it, built on it wisely, and today men and women and children from many lands are united in loyalty to and understanding of the high purposes of America.

"And I have seen with my own eyes that you are doing much to improve the standards of living of the average of your citizenship. That is as it should be, and I know that you will put forth every effort to make further progress. There are, indeed, many parts of the mainland of the United States where economic and educational levels do not come up to those which I find here."

When President Dole, of the Republic of Hawaii, on August 12, 1898, surrendered to Hon. Harold M. Sewall, United States Minister, the sovereignty of the Republic of Hawaii, he said:

"* * * I now, in the interest of the Hawaiian body politic, and with full confidence in the honor, justice, and friendship of the American people, yield up to you as the representative of the Government of the United States the sovereignty and public property of the Hawaiian Islands."

I am certain that the confidence expressed by President Dole in behalf of the people of Hawaii will be justified.

Sincerely yours,

S. W. KING,
Delegate to Congress from Hawaii.

Receipts from and expenditures upon the Territory of Hawaii by the Federal Government, 1900–1936, inclusive[1]

Departments	Revenues	Expenditures
Board of Health		$13,222.32
Board of Water Supply		351,165.66
City and county of Honolulu		230,487.99
County of Hawaii		341,301.35
County of Kauai		36,805.73
County of Maui		164,676.66
Customs Service	$52,511,652.30	3,066,411.99
Emergency Conservation Works		1,694,187.96
Federal Emergency Relief Administration		7,201,700.86
Federal Housing Administration	2,865.76	20,592.75
Governor and secretary: Contingent and legislative expenses	84,301.60	1,173,105.62
Hawaii Experiment Station	734.00	1,721,384.33
Hawaii National Guard		3,667,136.12
Hawaii National Park	17,831.90	2,016,280.99
Immigration Service	60,537.09	1,619,920.02
Internal Revenue	111,225,220.20	1,215,515.55
Lighthouse Revenue	6,151.14	3,702,840.35
Narcotic Service		9,760.68
Post Office	9,609,863.15	6,280,712.36
Public Health Service	85,511.01	2,208,268.50
Public Works Department, Territory of Hawaii: Federal highway aid		6,717,054.71
Public Works Administration		220,544.01
Rivers and harbors		13,122,802.89
U. S. Geological Survey		470,866.20
U. S. Leprosy and Investigation Station		54,597.39
United States marshal, including courts—Federal, supreme, and circuit salaries and expenses	772,250.20	1,287,010.74
University of Hawaii		1,830,008.42
Volcano research		206,317.01
Weather Bureau		512,401.17
Total	207,440,090.03	64,330,228.71
Excess of payments to Federal Treasury from Hawaii over Federal expenditures in Hawaii		143,110,861.32

[1] These figures, some of which are approximations, are from the office of the secretary of Hawaii.

INTERNAL REVENUE TAXES

The following is a list of States that in the year 1939 paid less in Federal internal revenue, including taxes, than did Hawaii. There are 16 of such States. Hawaii paid more taxes than did 5 States combined—North Dakota, New Mexico, South Dakota, Wyoming, and Vermont.[1]

North Dakota	$1,040,573.22
New Mexico	1,184,845.65
South Dakota	1,200,548.86
Wyoming	1,713,199.57
Arizona	1,914,239.31
Idaho	2,073,094.19
Nevada	2,270,058.91
Mississippi	2,630,483.48
Vermont	2,713,303.52
Arkansas	3,013,105.89
Utah	4,072,182.69
New Hampshire	4,227,089.27
Montana	4,449,831.79
South Carolina	5,254,834.28
Alabama	6,307,780.95
Oregon	7,070,448.71
Hawaii	8,034,000.35

Principal products shipped to Hawaii from other parts of the United States, 1935[1]

Meat products	$3,398,000
Butter and cheese	1,070,000
Boots and shoes	783,000
Rice	3,593,000
Wheat flour	1,032,000
Stock feed	1,730,000
Vegetables and preparations	1,851,000
Canned vegetables	500,000
Fruits	1,207,000
Beverages	2,198,000
Rubber	1,370,000
Auto tires	951,000
Cigarettes	2,198,000
Textiles	5,580,000
Lumber	1,300,000
Paper and products	2,873,000
Nonmetallic minerals	9,055,000
Iron and steel manufactures	9,349,000
Copper	503,000
Agricultural, electrical, and other machinery	5,074,000
Passenger automobiles	3,101,000
Paints	807,000
Fertilizer	1,205,000
Soaps	602,000
Motion-picture films	214,000
Books, etc	1,180,000
Other products	14,365,000
Total shipments in 1935	78,025,000

[1] Figures from the Bureau of Internal Revenue.

Percentage of population filing individual Federal income-tax returns, 1938[1]

1. Mississippi	0.53
2. Arkansas	.61
3. South Carolina	.73
4. Alabama	.74
5. North Carolina	.90
6. South Dakota	1.08
7. Georgia	1.11
8. Kentucky	1.22
9. North Dakota	1.22
10. Tennessee	1.26
11. New Mexico	1.29
12. Oklahoma	1.35
13. Idaho	1.36
14. West Virginia	1.40
15. Louisiana	1.54
16. Kansas	1.62
17. Iowa	1.62
18. Texas	1.70
19. Virginia	1.76
20. Florida	1.85
21. Indiana	1.87
22. Arizona	1.90
23. Utah	2.00
24. Montana	2.14
25. Michigan	2.22
26. Minnesota	2.31
27. Maine	2.42
28. Missouri	2.54
29. Vermont	2.60
30. Ohio	2.67
31. Colorado	2.73
32. Oregon	2.80
33. Hawaii	2.84

The CHAIRMAN. Senator Andrews, has your witness arrived? I understood there was some gentleman who was representing the Florida people and you wanted the committee to hear him first?

Senator ANDREWS. He is not here this morning, but I think he will be here later, and inasmuch as the Senate is going to convene at 11 o'clock I do not know whether you are going to adjourn at 11.

The CHAIRMAN. I will say that we set aside today to hear testimony on the sugar bill from Louisiana and Florida Senators and spokesmen for interested groups from those States, and I do not know whether it will be possible to do that on Monday or not, because we have various other groups who want to be heard and we all appreciate that the consideration of legislation must be expedited in order to get it on the floor of the Senate. Did you notify your man to be here today?

Senator ANDREWS. Yes, sir.

STATEMENT OF HON. JOHN H. OVERTON, UNITED STATES SENATOR FROM THE STATE OF LOUISIANA

Senator OVERTON. While there is no controversy, so far as I know, between Louisiana and Florida, I will be very glad at this time, if it suits the committee's convenience, to make an appearance on behalf of the State of Louisiana.

The CHAIRMAN. Very well, Senator Overton, you may proceed.

[1] From the Statistical Abstract of the United States, 1939.

Senator OVERTON. I would like to reserve the right on the part of the people of Louisiana to make a rebuttal statement as against any statement of Florida that may affect Louisiana.

Senator VANDENBERG. Is there any specific proposal in the bill that raises a direct issue between Florida and Louisiana?

Senator OVERTON. None that I know of. I understand there will be one presented on the part of Florida.

Senator VANDENBERG. Will there be any, Senator Andrews, on the part of Florida?

Senator ANDREWS. There will probably be an amendment offered at this hearing.

Senator PEPPER. So far as I am individually concerned, they will appear for themselves, but so far as I am concerned I may want to present an individual plea for Florida, without any plea for any individual.

The CHAIRMAN. As I understand the question to be adjudicated is that in this bill there is so much of a quota for cane sugar produced in Florida and Louisiana?

Senator OVERTON. That is correct.

The CHAIRMAN. It is a question of how much Florida is going to get and how much Louisiana is going to get?

Senator PEPPER. There is not any difference between Florida and Louisiana so far as I am concerned. Florida feels that it is entitled to the production of sugarcane. That is the only contention I am going to make—nothing against Louisiana or against any other State.

Senator VANDENBERG. Is there anything in the bill that divides the quota as between Florida and Louisiana?

Senator PEPPER. No, sir.

Senator VANDENBERG. At how much is the quota fixed?

Senator PEPPER. 420,000 tons.

Senator VANDENBERG. There is no division of that as between these States?

Senator ELLENDER. The bill does not so provide, but the Department of Agriculture has made the allocations in the past.

Senator CLARK. How much did that increase under the Jones-Costigan Act?

Senator ELLENDER. The Jones-Costigan Act provided 260,000 tons, and this bill raises it to 420,000 tons. As Senator Pepper has said, there is really no difference between Florida and Louisiana as to the quotas fixed in the bill. Both of us are anxious to get a larger quota; but, so far as Louisiana is concerned, Senator Overton and I have been working on this bill for quite a while, and we have resolved to accept it as written and permit the distribution as between Louisiana and Florida to be made by the Department of Agriculture, as in the past.

The CHAIRMAN. The law gives the Secretary of Agriculture power to make the allotment?

Senator OVERTON. That is correct, Mr. Chairman. However, I would make this contention: That in the event this committee or the Senate or the Congress determines to increase the quota of Florida, there should be a proportionate increase in the quota allotted to Louisiana.

Senator VANDENBERG. We would have to change the whole theory of the bill, would we not?

Senator OVERTON. We would have to change the theory of the bill to give Florida a separate quota, because Florida has not a separate quota. The bill divides the continental production into the two areas; one is the beet-sugar area and the other is cane.

Senator CLARK. There is no such thing as State quotas in it now?

Senator OVERTON. No; no State quota.

Senator CLARK. For instance, there is no quota for Wyoming or Colorado or Louisiana in the bill?

Senator OVERTON. No, sir.

Senator CAPPER. Are you satisfied with the bill as it is?

Senator OVERTON. I am not satisfied with it as it is, but I am willing to accept it. We have worked hard and we have tried to reconcile the divergent views of the different interests and the House Agricultural Committee has worked long and laboriously upon this bill, and I think under all circumstances they have drawn a very good piece of legislation.

The CHAIRMAN. Before you get into a discussion, I want to clear up my own mind. Under the Jones-Costigan bill, the quota for sugar from sugarcane was 260,000 tons?

Senator OVERTON. That is correct.

The CHAIRMAN. Under this bill what is the quota?

Senator OVERTON. 420,000 tons from the cane area.

The CHAIRMAN. So you have got an increase in the sugarcane quota over the Jones-Costigan bill of 160,000 tons?

Senator OVERTON. Yes, sir.

The CHAIRMAN. And you have an opportunity also to get an increase over that, have you not?

Senator OVERTON. A very limited increase. A certain increase, but it does not amount to very much.

The CHAIRMAN. What was the amount of sugar produced in Louisiana last year?

Senator OVERTON. 386,000 tons.

The CHAIRMAN. How much the year before?

Senator OVERTON. The year before there was 339,000 tons.

The CHAIRMAN. Since you got this new cane in there, you have been showing a gradual increase?

Senator OVERTON. That is correct.

The CHAIRMAN. What was produced in Florida last year?

Senator OVERTON. In Florida last year there was produced 51,000 tons and in 1935, 42,000 tons, and in 1934, 38,000 tons.

The CHAIRMAN. The quota given in this bill does not quite come up to the production last year; does it?

Senator OVERTON. It does not quite come up to production, so far as Louisiana is concerned; it will exceed the production in Florida. It will not meet the present production in Louisiana.

The CHAIRMAN. Have you any idea as to the allotment if this bill should pass? Has the Secretary of Agriculture stated what would be the allotment for Florida and what would be the allotment for Louisiana?

Senator OVERTON. As I understand the theory of the bill, the allotment will be made on the basis of past production and ability to produce. That is the same provision contained in the present Jones-Costigan Act.

Senator GEORGE. Approximately how much would that give to Louisiana?

Senator OVERTON. It would give about 85 percent of the cane area to Louisiana and 15 percent to Florida, if such a ratio continued to be followed.

Senator TOWNSEND. That would be 85 percent of the 160,000 tons increase; would it not?

Senator OVERTON. Eighty-five percent of increase over the total.

Senator TOWNSEND. Louisiana would receive 85 percent of this 160,000 tons increase total?

Senator OVERTON. Yes; but Florida would get 63,000 tons total. Her peak production so far has been 51,000 tons, produced last year. Louisiana would get 357,000 tons total.

The CHAIRMAN. Of course, that is a kind of a guess, is it not?

Senator OVERTON. That is assuming that the Secretary of Agriculture would apply the same ratio that he has applied under the present Jones-Costigan Act.

Senator GEORGE. Are you speaking of long tons?

Senator OVERTON. No; short tons.

Senator OVERTON. While it is true that under the percentage of ratio heretofore applied, Florida might get an increase over and above her peak production of 51,000 tons, yet if the Secretary of Agriculture adopts the theory that he will be guided by past performance, then Florida would not receive a quota in excess of 51,000 tons.

Now, I wish to say this, Mr. Chairman, that this bill does not meet with my theory with reference to sugar legislation.

The CHAIRMAN. Senator, in that connection, this bill does not permit just past history alone to govern, does it, but it does direct the Secretary to take into consideration other conditions?

Senator OVERTON. That is correct.

Senator VANDENBERG. He is monarch of all he surveys, and there is no appeal from his decision?

Senator OVERTON. That is right.

Senator VANDENBERG. He is a very friendly dictator so far as sugar is concerned, isn't he?

Senator OVERTON. Is he a friendly dictator?

Senator VANDENBERG. Yes.

Senator OVERTON. Well, he has ample and plenary authority under this bill and under the Jones-Costigan Act.

Senator CLARK. He has what?

Senator OVERTON. He has ample and plenary authority under this bill and under the Jones-Costigan Act.

The CHAIRMAN. There is the right of appeal to the Court of Appeals of the District of Columbia from a decision of the Secretary of Agriculture, as I read the bill.

Senator OVERTON. That is right, Mr. Chairman.

I started to make the observation, Mr. Chairman, that my theory with reference to sugar legislation is that insofar as continental production is concerned there ought not be any restriction. I favor the unlimited production continentally of sugar.

Briefly, the reason why I favor it is that we are dealing in this legislation with continental consumption. It is the continental market that is being parceled out, and I think that preference should be shown to continental production.

The continental production amounts to less than 30 percent of the continental consumption. And I can see no reason why there should be any restriction on continental production. That theory, however, is out of the picture by reason of the reciprocal trade agreement entered into with Cuba.

I might favor—and if my theory had been adopted it would obviate any controversy, for instance, that might arise between Louisiana and Florida. I favored one continental quota, that quota to apply to beets and to cane; not have a separate quota for cane and a separate quota for the beet area. I favored an adequate quota.

In 1936 I introduced a bill to provide for unlimited continental production. In 1937 I introduced a bill to provide for an adequate continental quota. But there is no opportunity, so far as I can see, of a bill of that character being enacted in the Congress at this session. We are not now confronted with a theory but with a condition.

The bill that has passed the House has adjusted, as far as it is possible to do so at this session of Congress, the diverging views and controversies that exists between the different producing areas.

Now, Mr. Chairman, coming down to Louisiana, I wish to make this observation, that Louisiana is the oldest sugar-producing State in the Union. It began the production of sugar in commercial quantities right after the Revolutionary War, either in 1795 or, as some say, in 1796. A large portion of its lands cannot be planted profitably to any other crop than sugar.

During the Wilson administration the Department of Agriculture sent experts down to Louisiana in order to show the farmers and planters down there that their lands could be profitably planted to other crops than sugar. But after making a thorough investigation their report was to the effect that these lands cannot be planted profitably to other crops.

At the time the Jones-Costigan Act was passed by Congress in 1934 Louisiana's production had fallen rather low on account of mosaic and other diseases that affected the cane. It had dropped so low in 1926 that the production was only 47,000 tons.

At the time the Jones-Costigan Act was passed it was understood, as I appreciate the situation, that this legislation fixing the quotas was merely temporary and that the matter again would be considered by the Congress. It is now before the Congress to determine what provision should be made with reference to quotas.

The administration recognized that Louisiana had a just claim to an increase in quota. The first administration bill proposed the quota for the cane area of 360,000 tons. It realized the fact the Department of Agriculture had brought into Louisiana new varieties of cane that were disease resisting and, to a large extent, were cold resisting. The result was that there had been a considerable increase in the production of Louisiana.

I have said that Louisiana is the oldest producing State in the Union. She has produced as much as 415,000 tons of sugar, raw value, in one season. She did that in the year 1904. In 1908 she produced 414,000 tons of sugar, raw value.

Senator KING. Is that the maximum that was ever produced?

Senator OVERTON. Yes; that was the maximum ever produced. In some 17 or 18 years she has produced over 300,000 tons of sugar.

On account of these new varieties of cane she is now getting back to normal and will be able to produce not only the quota that is assigned to her in this bill but will be able to produce much more than that quota.

As I said a little while ago, in response to a question that was propounded by the chairman, last year Louisiana produced 386,000 tons. It is my information that this year there is enough cane in the ground to produce, in a normal season, well over 400,000 tons of sugar.

The CHAIRMAN. Since this new cane has come in economically can you produce cane in Florida cheaper than you can produce it in Louisiana?

Senator OVERTON. I would rather have you ask that question of some expert. I do not think the theory of this bill proceeds upon how cheaply you can produce cane, how cheaply you can produce beets, or how cheaply you can produce sugar.

The CHAIRMAN. That is true. But I was curious to know about the economic production of that cane in those two States.

Senator OVERTON. I would think Florida can produce cane more cheaply than Louisiana. That is an off-hand opinion without having made an investigation of it.

Senator KING. An examination of the Florida lands leaves me to believe that they are the richest in the world for the production of sugar. That is based upon some observation.

Senator OVERTON. So far as production is concerned, Louisiana can produce almost twice as much as she is presently producing. If we are going into the matter of expansion I think Louisiana would have just as good a claim as Florida and just as good a claim as the beet area as to expansion of production.

Let me give this information to the committee in order that it may be in the record. I will give you some figures as to Louisiana's production which represents sugar as made and not reduced to raw value:

In 1804 Louisiana produced 355,000 tons; in 1806 she produced 316,000 tons; in 1807 she produced 347,000 tons; in 1900 she produced 302,000 tons; in 1901 Louisiana produced 360,000 tons; in 1902 Louisiana produced 308,000 tons; in 1904 she produced 398,000 tons; in 1905 she produced 377,000 tons; in 1907 she produced 344,000 tons; in 1908 the production was 397,000 tons; in 1909 the production was 301,000 tons; in 1910 the production was 342,000 tons; in 1911 the production was 352,000 tons; in 1916 the production was 303,000 tons; in 1921 the production was 324,000 tons.

Those are not reduced to raw value. If reduced to raw value, they would show a larger quantity. For instance, in 1904 the official reports show a production of 398,194 tons, which reduced to raw value would show a total production of 415,000 tons.

Under the Jones-Costigan Act, Louisiana produced in 1934, 238,000 tons, in 1935, 339,000 tons, and in 1936, 386,000 tons.

Senator CAPPER. What percentage of increase was that, or what percentage of reduction was it?

Senator OVERTON. What was the increase, you asked?

Senator CAPPER. Yes; from the usual.

Senator OVERTON. The increase has not yet reached the peak production of Louisiana. Her peak production is 415,000 tons.

That is not due to an increase in acreage beyond the peak acreage of the cane area of Louisiana. In 1911 we were planting 340,000

acres and in 1936 only 227,000 acres. In the present year, 1937, we have planted 240,000 acres.

Senator KING. The increased productivity, is it?

Senator OVERTON. Yes; it is increased productivity. That was due to the introduction of the new varieties of cane by the Department of Agriculture and was not due to the increase in acreage. We have not reached our peak as to acreage and we have not reached our peak as to production, and we shall not be allowed to reach our peak as to acreage or production under the present bill.

Now, Mr. Chairman, I wish to say that in addition to these factors the Resettlement Administration has established a number of projects there in Louisiana and has brought into cane production 15,110 acres very recently. And I understand that it is contemplated by the Resettlement Administration to add 15,000 acres more; and that will increase considerably the tonnage.

Now, gentlemen, I wish to make this observation: That I have no complaint to make with respect to this bill with reference to quotas that are assigned by this bill to the different continental areas, nor am I making any complaint about the quotas which were assigned under the Jones-Costigan Act to the different continental areas. But I do want to say that under the Jones-Costigan Act the beet area was assigned 88 percent, I think it is, of their peak production, but Louisiana was assigned 53 percent of her peak production.

The peak production in the beet area happened to occur the year before the Jones-Costigan Act was enacted, and that peak production was 1,750,000 tons, and the beet area was allotted 1,550,000 tons.

The CHAIRMAN. But if you take it over a period of 10 or 15 years in the sugar-beet area and the sugarcane area those percentages would not apply.

Senator OVERTON. How far back do you go? Of course, if you go back just to that period when we were suffering from the mosaic disease, and therefore our production was very much diminished, it would not apply. But if you take the entire historical background, I think Louisiana has a better claim for an increase in quota than any other continental area.

I have no objection to the beet area having 1,550,000 tons and I have no objection to their getting 1,550,000 tons under this bill; but I am simply instituting a comparison between the different areas in the—well, I will not say the apprehension, but the possibility of an attempt being made to further reduce the quota now allotted in the pending bill to Louisiana. And I do not think that should be done. On the contrary, any change, if made, should be an increase in the Louisiana quota.

Florida did not begin its production until 1928. She then had 1,000 acres harvested and produced 1,000 tons.

In 1929 she had 7,000 acres and produced 14,000 tons.

In 1930 she harvested 12,000 acres and produced 27,000 tons.

In 1931, with 13,000 acres harvested, she produced 24,000 tons.

In 1932 there were 13,000 tons harvested.

Senator KING. Thirteen thousand acres, you say?

Senator OVERTON. Yes; she harvested 13,000 acres and produced 37,000 tons of raw sugar.

In 1933 she harvested 14,000 acres and produced 41,000 tons, and in 1934 with 14,000 acres she produced 28,000 tons.

Senator KING. Is there a diminution there?

Senator OVERTON. Yes; there is a diminution in 1934. I think that was due to a freeze. In 1935, 14,000 acres harvested and 42,000 tons of sugar produced.

In 1936 there were 17,000 acres harvested and the production was 51,000 tons.

Under the Jones-Costigan Act in 1934 Florida was allotted 39,800 tons. At that time her peak production had been 41,000 tons.

Louisiana was allotted 220,200 tons, while her peak production had been 415,000 tons.

Under the practical application of the existing law by the Secretary of Agriculture there has been an allocation of 15 percent of the cane area quota to Florida and 85 percent to Louisiana.

If this bill that has passed the House should become a law—and assuming that the Secretary of Agriculture would apply the same ratio under this bill that he has applied under the old Jones-Costigan Act, of 15 percent and 85 percent—Florida would get 63,000 tons, which would be 12,000 tons more than her peak production, and Louisiana would get 85 percent or 357,000 tons, but this would be 29,000 tons less than her 1936 production, 58,000 tons less than her 1904 production, 57,000 tons less than her 1908 production, and less than the 1911 and 1894 production.

Now, Mr. Chairman, Florida has two factories while Louisiana has in operation today 67 factories. We have 11 idle factories. Florida has no idle factories.

In 1911 Louisiana had 132 factories, and in 1921 she had 124 factories.

In Louisiana today there are more than 9,500 farming units, that is, more than 12,000 farmers who are producing sugar.

In Florida, I understand—and this statement is subject to correction—there are only seven farming units.

I understand that Florida's production and processing is practically controlled by one man; that is, it is in the hands not of more than 12,000 farmers, as in Louisiana, but of one man.

Senator BROWN. Senator Overton, as I understand the Florida position as presented yesterday in the House, they did not propose to reduce Louisiana's share of the total sugar production but they proposed to deduct it, first, from the Philippine Islands by reason of the annual reduction of the total amount of sugar which may come in from the Philippine Islands, and also by reducing the amount allotted to Cuba. That is the situation as I understood the Wilcox amendment as presented to the House yesterday.

Senator OVERTON. I will say to the Senator from Michigan that Florida proposed a number of amendments in the House yesterday. One of them contemplated a reduction, as I understand it, in the quota assigned to Cuba, and possibly a reduction in the quota assigned to Hawaii, and Florida would get the benefit of that reduction.

Senator PEPPER. To clear up the issue, that is going to be my amendment.

The CHAIRMAN. The Wilcox amendment?

Senator PEPPER. Yes, sir.

Senator OVERTON. If there is any increase in the cane quota will that amendment apply to the whole cane area or are you going to

undertake to make an allocation for Florida and an allocation for Louisiana?

Senator PEPPER. I am going to make a request for that Florida share to be fixed in the bill; and then if anybody else is dissatisfied with their share they make their own complaint about it.

Senator BROWN. Can that be done without disrupting the reciprocal-trade agreement with Cuba?

Senator OVERTON. Yes; I think it can be. I think all that the reciprocal-trade agreement contemplates is that there shall be quota restrictions on production in the United States. I think it is left to the United States Congress to determine what those quota restrictions shall be and in what manner they shall be imposed. Therefore, my off-hand opinion is as I have stated. But the whole theory of sugar legislation is not to make allocations by States; it is rather to make allocations by farming units.

Why should there be an allocation for Michigan, one for Colorado, and one for California? And, if there should not be an allocation by States in the beet-sugar area why should there be an allocation by States in the cane area?

If the suggestion of the Senator from Florida is to prevail and we are to have a separate allocation for Florida, and that allocation will represent an increase in quota that will fall to Florida under the provisions of the pending bill, then I shall ask that there be a corresponding increase for Louisiana; because Louisiana is capable of producing much more cane. Louisiana today is producing much more cane than is alloted to her under the existing law and is producing more cane than she will get under the provisions of this bill.

Therefore, I say that Louisiana is entitled to as much consideration as is Florida. I have no objection to increasing Florida's quota, or that of Michigan, or California, or any other State, or the beet area or the cane area; but when there is a beet increase there should be a corresponding cane increase. We should all be placed upon a fair, just, and equitable basis.

I thank you.

The CHAIRMAN. Thank you very much, Senator Overton.

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

Senator ELLENDER. Mr. Chairman and gentlemen of the committee, I appreciate this opportunity. It is not my intention to burden the committee with an elaborate statement, because my colleague has already covered the subject. But by way of emphasis, I desire to point out to you that the sugarcane acreage in Louisiana has not been increased to any considerable extent within the past few years. As a matter of fact, and as has already been pointed out by Senator Overton, in the year 1932 Louisiana planted 180,000 acres of sugarcane. In 1936 we planted 227,000 acres, and for the 1937 crop the Department of Agriculture estimates a planting of 240,000 acres, as per its report issued July 10, 1937. The greatest number of acres of sugarcane Louisiana has planted in any one year was 310,000.

There has been a gradual increase in production, as was pointed out by Senator Overton, and this increase has been caused by the

progressive and yearly introduction of new varieties of sugarcane, which have yielded much more than the old varieties. When the mosaic disease destroyed the old D–74 variety of cane, the Bureau of Plant Industry introduced P. O. J. varieties from Java, which permitted a partial recovery. Later these P. O. J. canes showed weaknesses, and the Department of Agriculture again came to the rescue and established an experimental station at my home town of Houma, La. Each year new seed cane is furnished to our farmers by this experimental station, and the results have been shown in the increased yield of cane per acre and increased extraction of sugar per ton of cane.

For instance, back in 1928 and 1929, the tonnage of sugarcane per acre averaged about 11 to 12 tons. With the introduction of new varieties, the average tonnage has increased remarkably, and in 1936 it amounted to 21.4 tons per acre. The increase in the yield of sugar per ton of cane was also in the same proportion.

I wish to submit in connection with my remarks, a very comprehensive and intelligent discussion of the transition period with regard to sugarcane varieties as explained by perhaps the best informed sugarcane agriculturist in Louisiana, with whom I am personally acquainted, and who resides in my home parish. I refer to Mr. Elliott Jones, of Houma, La.

(The matter referred to is as follows:)

STATEMENT OF MR. ELLIOT JONES, SOUTHDOWN PLANTATION, HOUMA, LA.

I will attempt to draw comparisons, from the standpoint of Louisiana sugarcane production, between three very distinct periods of the sugar industry during my connection with it since 1920. These three periods are (1) the decline in production of the varieties D-74 and Louisiana Purple, the old varieties; the period (2) when the P. O. J. canes were introduced and declined; and the current period of the C. P. and Coimbatore varieties. In making this comparison I will use figures which are taken from crop production records on lands under my supervision, but as one cannot wholly be guided by figures, I will make comments on them, which, in my opinion, are in order.

To represent the first period I have used the years 1921, 1922, and 1923, when we were growing the old varieties of cane exclusively. The obvious decline in yield of these varieties began in this parish in 1922, and as you know they were out of the picture by 1927, so far as Terrebonne Parish was concerned. On this property we began replacing the old varieties with the P. O. J. canes in 1924 and had them in full production in 1927. I have used the years of 1927 and 1928 as typical of the P. O. J. canes under best conditions. I would have preferred using three consecutive years instead of two but the records of our crop of 1929 are not representative, due to early and successive freezes, and the crop could not be conserved by windrowing, as none of the P. O. J. canes would keep in windrow. After 1929 the P. O. J. canes likewise began to succumb to disease, and they passed out of the picture in 1934. Since 1934 the Coimbatore and C. P. varieties have been grown exclusively by us, and thanks to the United States Department of Agriculture other varieties are being bred in large numbers and superior selections can be made from them to fill our needs whenever disease may attack the varieties we are growing currently.

Here's what the D-74 and Louisiana Purple varieties produced in the period which I have chosen to consider:

	Total acres in cane	Average yield per acre	Acres used as seed for succeeding crop
		Tons	
1921	2,278	20.3	495
1922	2,733	15.9	531
1923	3,050	6.9	823

During the course of the crop year 1921 it was evident that mosaic disease and other diseases were becoming prevalent, but their effects were not severe as evidenced by an average yield of 20.3 tons which was about normal for these varieties. Although the weather conditions of 1922 were fairly favorable our yield was only 15.9 tons per acre, and I attribute the falling off in yield as being largely due to disease. The yield of 6.9 tons in 1923 was a combination of diseased cane with very unfavorable weather, and the yield of the old canes in 1924 and 1925 was about the same as in 1923.

Note the large acreage of cane that was needed as seed for the succeeding crops. Even under normal conditions when the old varieties of cane were free from disease, approximately 20 percent of the growing crop was needed to supply seed for the succeeding crop, and as diseases became worse the percentage necessary for seed increased.

I believe 1927 and 1928 are representative years for the P. O. J. canes.

	Total acres in cane	Average yield/acre	Acres used as seed for succeeding crop
		Tons	
1927	2,660	19.0	190
1928	3,294	22.3	176

However, 1927 was the year of the great flood and a portion of our crop was destroyed by overflow, which accounts for the relatively small acreage; but impaired drainage, due to high water, unquestionably affected our yield adversely to a certain extent on the acreage not entirely overflowed. I would say that the P. O. J. canes at their best could have expected to produce an average of 22 tons per acre. As stated previously, none of the P. O. J. canes could be windrowed when the severe cold weather was imminent.

You will note that with the advent of the P. O. J. canes the acreage necessary for seed decreased materially.

Now look at the figures for the years succeeding 1930:

	Total acres in cane	Average yield/acre (tons)	Acres used as seed for succeeding crop		Total acres in cane	Average yield/acre (tons)	Acres used as seed for succeeding crop
1931	2,990	17.2	202	1934	3,107	18.0	212
1932	3,559	19.3	116	1935	3,082	22.3	160
1933	2,984	19.7	209	1936	3,540	25.6	184

1931-32-33 represent largely the P. O. J. canes, but we are gradually introducing the Co. and C. P. canes as seed became available. In 1935 the production was largely from Co. and C. P. canes. In 1936 the production was exclusively, and our crop conditions today indicate a yield equal or better than 1936. Note the fact that the seed requirements from Co. and C. P. canes amount to roughly 5 percent of the acreage as contrasted with 20 percent when we were growing "the good old D-74." This 15-percent difference appears to me to be a 15-percent saving. The other advantages accruing are on the production side. Our present canes I am confident in average years will produce 25 percent or more tonnage per acre than the D-74 cane. This increase in production necessarily must stand an increased harvesting cost, but the present

vigorous canes can be cultivated more economically, and the saving in cultivation roughly offsets the increased harvesting costs.

Previous to the introduction of the P. O. J. canes the sugar yield per ton in in our factory approximated 150 pounds. Since the introduction of the P. O. J. canes our yield per ton has averaged 165 pounds. As you know, sugar yields per ton of cane vary according to factory efficiency and geographical location, but I would say this 10-percent increase in sugar yield per ton of cane at our factory fairly reflects conditions throughout the Louisiana sugar district, this increased yield as stated being due to the substitution of our present varieties.

There is one very pertinent fact that these figures do not show in comparing the 1921 yield of 20.3 tons with the 1930 yield of 25.6 tons. It is this: In 1921 and in years previous to that date we believed the so-called sandy lands in this area were the sugar lands. The cultivation of sugarcane was largely confined to the sandy lands which are better drained, easier to work, and under average conditions produce more tons of cane per acre than the black, heavy soil, where as a rule drainage is somewhat inferior. Our yield of 25.6 tons in 1930 was from all varieties of soil, black and sandy. All of our land today goes in cane production, of course, in rotation. If we planted our present varieties only on the soils where cane was planted in years previous to 1920, our average yield per acre in my opinion would be at least 30 tons. But the fact that we now have varieties of cane which will grow and grow abundantly on any acre of cleared land reasonably drained, in the sugar district of Louisiana, means an enormous increase in the actual cane acreage and in potential cane crops in Louisiana as compared with the maximum crops of the years prior to 1920.

The newer varieties of cane have also extended the sugar district to a point considerably north of Baton Rouge, due to the fact that certain of our new varieties will yield 150 pounds of sugar per ton by October 10-15. This early maturity gives the growers in the northern section of the belt a much better business proposition than they had formerly.

This thought (the last two paragraphs) merits more emphasis.

These new canes as a rule have heavy foliage, and the heavier foliage is a physical protection against cold weather. Also for some reason which I cannot explain, it may be due to the higher fiber, the rate of deterioration of our canes today after being subjected to frosts is not near so great as that shown by the old varieties.

Although you may think I have overstated the case and drawn too glowing a picture of cane production in Louisiana today, I feel that I have been reasonably conservative. As one who saw the failure of D 74, struggled to make it grow, and failed dismally to make it produce when it was riddled by disease; as one who saw the industry restored through the new canes given us by scientific plant breeders, and as one who must still make his living by growing sugarcane, the conditions under which we are now producing sugarcane are more than satisfactory from an agricultural standpoint; yet I know full well that as we stand today we cannot by any stretch of the imagination say we can compete with the Tropics. They, too, have their plant breeders, and through their plant breeders and other aids they also are producing sugar far cheaper today than formerly.

I do not, however, think that 25 tons of cane per acre and 165 pounds of sugar per ton represents tops of what we may eventually produce. I know of many planters who averaged 30 tons last year. I know of experimental plants that have produced as high as 8,000 pounds of sugar per acre. Better equipment, better agricultural practices, more intensive work as we accumulate working capital after paying our debts—all these things will further increase our production—that is, if we can get some permanent national program on a reasonable basis.

To sum up: A Louisiana sugar farmer prior to 1920 might reasonably expect to make 3,000 pounds of sugar per acre. Today his reasonable expectation is 4,200 pounds per acre on more acres and at less cost per acre. His cane being healthy the vagaries of weather have less effect in production, and his chances of making a normal crop are improved. He has a cane variety suited to his particular section of the sugar belt and to each variety of soil on his farm. He has a cane more resistant to the effects of low temperatures, and he has also a variety which he can windrow and thus protect himself against freezes. Moreover we feel sure better canes will be bred by the Bureau of Plant Industry, in cooperation with the Louisiana Experiment Station. Their technique of breeding has been improved through experience, their ability to select good

breeding stock is greater year by year. In their breeding plants today are thousands of new crosses and from some of these will come better varieties than we have in production today. Such stocks of new canes will be continually kept on tap to replace any variety that begins to decline, so we are assured we can never be reduced again to the unfortunate position we were in during the 1920's.

Senator ELLENDER. So, as a matter of fact, Louisiana has made progress in the production of sugar, as to tonnage; but as to acreage, today it is approximately 80,000 acres under the highest recorded acreage planted in the past, in any 1 year.

With reference to our relations with Florida, Senator Overton has expressed my sentiments. I sympathize with the demands of Florida. We are in accord in this respect; that is, that there should be no curtailment of sugar production. However, since the present bill seeks to regulate the planting of sugarcane both in Louisiana and Florida, is strikes me that if Florida gets an increase, we in Louisiana are entitled to a proportionate increase. I believe that if we are to consider the past history of both States with reference to sugar production, Louisiana is entitled to more of an increase than is Florida, because, as has already been pointed out, our State has been engaged in sugarcane production for over 100 years; more than 9,000 farms are at present devoted to the cultivation of sugarcane; and on these farms there are in excess of 12,000 producers engaged in the production of sugarcane.

Although I am convinced that we should have a greater quota for Louisiana, yet I am willing that the bill be passed as it is presently written, and should you gentlemen feel that Florida is entitled to an increased quota, then we respectfully ask that the quota of Louisiana be likewise increased in the same proportion.

STATEMENT OF HON. CHARLES O. ANDREWS, UNITED STATES SENATOR FROM FLORIDA

Senator ANDREWS. As I started to say a few minutes ago, we have an important bill on the calendar being called this morning. Either Senator Pepper or I will have to be over there.

The CHAIRMAN. That is why some of the Senators have had to leave.

Senator ANDREWS. Florida is not asking charity from the Federal Government; it is just asking for simple justice.

As to how long Florida has produced sugar, there is a record. But I happen to know about one set of sugar vats, where the trees have grown up between them, which are said to be more than a hundred years old. That is near New Smyrna.

Under this bill the mainland sugarcane producers are allowed 11.31 percent of the sugar consumption of the United States. Under this same provision Florida, under this bill, as I understand it, would get approximately 63,000 tons. Cuba would get nearly 2,000,000 tons. The islands on which the American flag floats would get the following: Hawaii, 25.25 percent of the total consumption; Puerto Rico, 21.48 percent; the Virgin Islands, 0.24 percent. The Philippine Islands, which is a semiprovince of the United States, or a semi-Territory, would get 34.70 percent.

We find that under this bill Cuba gets 64.44 percent of the total consumption of the American people.

There is a background to the increasing production of sugar in Florida. Back during the World War we learned that America was not producing sufficient sugar for its own consumption. That was apparent, and so apparent that they increased their productions here and in other parts of the world. It was partially for that reason the Everglades of Florida were dredged and drained. Now there are thousands and thousands of acres in the Everglades—the soil under which is anywhere from 5 to 8 feet deep—ready for planting but forced to lie idle.

Senator BROWN. Senator Andrews, I do not think you want to make a misstatement, but you say that Cuba got 64 percent of the American market. They get 64 percent of the American market other than that portion assigned to continental or offshore territorial production.

Senator ANDREWS. I believe that is correct.

Senator BROWN. I think you misspoke yourself.

Senator ANDREWS. That doesn't make much difference, however, in the theory that we are facing, that the people of the United States who are trying to give employment to their unemployed are allowing countries not under the American flag to usurp the sugar market. We believe that is not in accordance with our best interest, and we are going to insist that our American people be allowed to feed themselves if they can.

We have thousands and thousands of acres in the Everglades district at the present time owned by people who would gladly plant it to sugarcane. The taxpayers of the State of Florida and the owners of the Everglades property have spent millions of dollars in preparing this land. The United States Government did not come in and help drain the Everglades but the people of Florida did it themselves in order to have land on which we could produce our own sugar and winter vegetables.

We have an institution there now which is giving employment to over 4,000 people, taking them off of the relief roll, if allowed 120,000 tons, can double the employment. The land is there waiting for it to be doubled and the money is waiting, if our quota can be doubled. That will allow Florida to produce sufficient, at least, for its own consumption. I want to make that point again, because I want this committee to get it.

Florida consumption, according to statistics, is 120,000 tons of sugar per year, and she should at least be allowed to produce enough to feed her own people.

Certainly that must appeal to this committee. If we were allowed to double the production in Florida, in the Everglades and the other parts of the State, we would furnish employment to four or five thousand more people, some of whom the people of the United States may have to take care of in some way or other.

Isn't that far more feasible and more sensible and more patriotic than to give 2,000,000 tons to Cuba, where they hire cheap labor and throw their sugar into our market and put us out of business in order to have some trade agreement that cannot possibly do Florida any good? For instance, under the present system we are allowing tomatoes to come into the United States from Cuba and we are also allowing sugar to come into the United States to supply a demand that can be supplied easily right here at home.

Senator VANDENBERG. Of course, I completely agree with your basic philosophy, and it is utter nonsense not to permit the American agriculturalist to supply his own consuming market to the limit. I have no argument with you on that at all. The existing policy is absurd. But if you are confronted with a situation where you have to take the existing quotas or no bill, which would you take?

Senator ANDREWS. I don't know just exactly what shape that would leave us in, Senator. Being one of the new Senators and not having had this matter before me like a great many of you have, I have, so to speak, jumped right into the middle of the situation. As you know, a Senator has a hundred different things to do during the week. The result is that I am not able to say just what our situation would be on December 31 if we had no bill. Therefore, I cannot intelligently answer your question.

Senator VANDENBERG. I think that is a question that you finally have to answer within the next 48 hours.

Senator ANDREWS. We want it understood also that there are many people who own land in the Everglades who have lands which are ready to produce sugarcane. I know of one who was in my office the other day who has 1,500 acres. But he can't use it because our quota will be so low that he would not be allowed to produce it. It cost Florida millions of dollars to drain that land and get it ready for this very situation.

If a war should come and our island possessions were cut off from us—and it is not impossible—wouldn't we be in a pretty fix, with land idle, ready to produce the supplies we need under such extreme circumstances, if we did not have it available and ready?

Senator VANDENBERG. We would just have to rely upon our ever-empty granaries.

Senator ANDREWS. I don't know just exactly what the terrible situation we would be up against. Sugar is one of the universal foods. We ought to encourage the beet people and the cane-producing people to plant more acreage to supply our own people.

Senator HERRING. Is it true that one concern produces about 90 percent of all the sugar in Florida?

Senator ANDREWS. It produces a large share of it.

Senator HERRING. Did it receive a million dollars benefit from the A. A. A.?

Senator ANDREWS. Possibly so. But neither that concern nor Florida wants that. Florida wants to produce sugar and give her people employment.

I wish when some of the Senators are making a trip down to Miami they would look into the sugar-producing area of Florida and examine the situation. They will see just what it is, and I think they will be of the opinion that Florida ought to be allowed to produce enough to at least feed her own people. That would require 120,000 tons. And we are going to insist that we have it.

The CHAIRMAN. Senator Pepper, do you wish to make a statement?

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

Senator PEPPER. Mr. Chairman and members of the committee, when I was a very small boy I lived about 3 miles from the nearest school and I walked back and forth with some neighbor boys in the

mornings and the afternoons. One hot afternoon I was walking home with my associates, who were a little better off with the world's goods than I was. They had some big, red, luscious apples. I was not able to buy an apple, but I tagged along with them down the road a piece as they chatted merrily along. They cut the apple and divided it amongst themselves, but did not give me any of it. I hated to do it, but I was so hungry I asked them for a piece of the apple, if just a small piece. They just laughed at me, but did not give me any of it. Then I took my pride and my heart in my hand and said, "Then give me the peeling of the apple and I will be satisfied with it." But they would not give me the peeling. And a few minutes thereafter I had one of the worst fights I ever had in my life.

I want to make very clear this fact. I think what Senator Herring said is correct. And I want this record to show, and I want this committee to know, that I do not come here to represent the United States Sugar Corporation, which is producing sugar in Florida. I come here to represent the State of Florida, and I want you to examine this bill, and if you don't find that you are satisfied with the right of the Secretary of Agriculture to make a fair allocation of the right to produce what sugar we can among the producers of Florida, I want it changed to that end, because I am not going to countenance a monopoly in my State any more than I countenance a monopoly anywhere else in the United States. And I want that fact very clearly ascertained here at this hearing.

Now, Mr. Chairman, as I said a minute ago, I do not come here to ask this committee to take anything away from Louisiana, and I do not come here to ask the committee to take anything away from our friends in the beet-producing sections of this country.

The CHAIRMAN. The record shows that there are five big concerns in the sugar-beet area producing about 90 percent of the sugar produced from sugar beets.

Senator PEPPER. That is their individual problem, Mr. Chairman, as to whether or not they may approve of that. But I don't think the situation; if I have anything to do with it; is going to continue in Florida as it is.

But I do feel, Mr. Chairman, that nature has fitted Florida particularly for the production of sugarcane. As Senator Andrews said a little while ago, this muck land in the Everglades of Florida is unique. As he said, that soil is 5 or 6 feet deep. It might astonish some of you to know that this sugarcane down there grows to a height of 15 to 20 feet.

The climatic conditions and the economy with which they can produce it by machinery largely, and the efficiency of the mill there, with respect to the larger unit, at least, makes it possible for them to produce sugar, as I am informed, within a fraction of a cent of the lowest cost of production units of Cuba.

So, by actual experience Florida has demonstrated that it is ideally adapted to the production of sugarcane.

As I said in the beginning, one of the reasons I am primarily interested in this problem is this: of course, even if a big company operates, for that matter, it gives a lot of employment and it gives some aid to the surrounding country. But in the Everglades investigation, as some of the Senators will recall, at that time I got up and offered an amendment—I believe it was with respect to the reciprocal trade

agreements—attempting to provide that they could not restrict our production of an agricultural commodity unless we did not produce enough at home to meet the requirements of the home market.

I introduced in the record a telegram showing nearly a million dollars' worth of vegetables had been lost by the vegetable producers in the State of Florida in the neighborhood of this sugarcane production, due to a storm that had come across that area. In other words, they are now engaged in the production of vegetables, which is an unstable commodity both with respect to nature and with respect to the market, because they are in competition with Cuban producers of vegetables also, and they will ship these carloads of tomatoes into the New York market and sometimes after they have gotten there the bottom has dropped out of the market.

And a short time ago I heard of a fellow who owed $1.15 after he had given the whole commodity to the railroads for its transportation.

What I want to do is to see this unstable crop supplanted by a stable crop such as sugarcane, and particularly for the smaller producers in that section.

I think the sugar mill down there now cost in the neighborhood of $2,000,000. That is my general information. Unless there is a sufficient quota there to develop the industry so that a new man can come in and build a sugar mill, he will not come forward. The capacity of the present mill is not large enough, in view of the quota the State now has to make other facilities available for an increase in production either by new producers or by farmers who may go into the production of sugar.

So I say that those personal reasons actuate me in making the appeal to this committee to examine our Florida situation.

As I said, there are several hundred thousand acres of land right around Lake Okeechobee which have been drained. Senator Andrews was not altogether accurate in what he said or in the inference that he gave. The Federal Government did help us tremendously in building dikes around Lake Okeechobee, which is in this sugar-producing territory of Florida. In 1926 and 1928, unfortunately, we had hurricanes which blew the shallow water out of Lake Okeechobee into this Everglades section and drowned literally thousands of people. The Federal Government went in there, as did the United States engineers, to help our people. And they largely built dikes around Lake Okeechobee. So now we have additional facilities for crop production by the aid of the Federal Government, which we never did enjoy before.

Senator Andrews. I said the State of Florida drained the Everglades.

Senator Pepper. Yes; that is right.

Senator Andrews. That is what I said.

Senator Pepper. I understood that.

Senator Andrews. The Government did help build the dikes.

Senator Pepper. That is right.

Senator Brown. I want to make one observation here as to what the chairman said about the five sugar companies producing 90 percent of the beet sugar of the country. Of course, I want the chairman to know that there are a hundred thousand farmers and a million people engaged in the industry back of the five big companies. I understood the point that Senator Herring made was

that you have one concern engaged in the production of sugarcane as well as in the manufacturing of sugar.

Senator PEPPER. That is right. The United States Sugar Co. grows sugarcane in the Everglades and has its own sugar mill.

Senator BROWN. But there are a hundred thousand farmers producing beets for manufacture into beet sugar.

Senator PEPPER. We do have another company engaged in the sugarcane growing and milling, and there are a great many farmers who do sell their sugarcane to the United States Sugar Corporation which grinds it for them.

Senator BROWN. Because of the statement by the Chairman and because of the President's message, I want this to appear in the record. He said:

> I recommend that some provision be made to protect the rights of both new and old producers.

Senator PEPPER. As I said a little while ago, I want any restriction taken out, and I want the Department of Agriculture to have a free and fair hand in the allocation of the right to grow sugarcane within the confines of the State so that everybody in my State will have a fair chance to go into this business of producing sugarcane.

Senator BROWN. I want you to know that I am in agreement with your position there. I think we should encourage domestic production.

The CHAIRMAN. But the President's message does confine it to small producers of cane or beet.

Senator PEPPER. The new producer has as much right to come in as anybody else.

The CHAIRMAN. This bill, on page 22, follows out, in large part, the recommendation of the President. It says:

> and the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share-tenants, adherent planters, or share-croppers.

It would seem to me that it covers both.

Senator PEPPER. Then, that is all right.

The CHAIRMAN. Both new producers and small producers.

Senator CAPPER. The people of Florida are satisfied with this bill as it is here, are they?

Senator PEPPER. No, Senator. I did not mean to give that impression. I was coming to that.

Senator CAPPER. Do you want it changed?

Senator PEPPER. Yes; we do want it changed so that it will allow an adequate quota to Florida. The quota that we seek is 90,000 tons for the first year; that is, for 1937 and 1938; 150,000 tons for 1939; and 175,000 tons for 1940 and thereafter.

Senator VANDENBERG. Are you going to ask for a specific statement in the bill?

Senator PEPPER. Yes, Senator. I am coming to that point.

Now, do I make myself clear, Senator? We come here to protest against the present bill in the form that it now is. I will not take the time to attack the detail of the thing. I guess it has gone too far. I will not restrict myself as to my conduct hereafter, but for the purpose of this hearing I want to bring myself to the point to say that

we do not consider that the quota that Florida has had in the past is adequate, and we do not consider that the quota that is allowed to the cane area, in view of the fact that our share of it as stated by the Senators from Louisiana today and practically as confirmed to me by the Secretary of Agriculture is to be 15 percent of the total cane quota, is adequate to meet our requirements.

When we started up they gave Louisiana 220,000 tons, and they gave Florida 40,000. Now, I am willing to assume that for the original beginning that was a fair allocation. I have no quarrel with that on a historical basis, but now when it comes to allowing us some production for the future it does seem to me that so far as we are concerned at least we do not want forever to be restricted to the 15 percent of what the cane area produces in the United States, and at the same time since there are just two of us in the cane area and since nothing but cordiality attends our relationship, I do not want to have the feeling that every time I am seeking to have the right for the State of Florida to produce sugar that I have got to dig it out of the sides of our friends here from Louisiana who are neighbors in the confederation of States here in this country and, consequently, since there are just two of them, I want to establish now the precedent that Florida's share will be specified in the bill, so I will know what we are going to be able to get, and we can relate our problems to our specific situation.

Now, heretofore the division has been made, it was made last year and was made the year before, on the basis of 85 percent to Louisiana and 15 percent to Florida. Now that allows 63,000 tons to Florida. I have been to see the Secretary of Agriculture and he has given me no assurance of being able to divide it other than on a historical base.

Well, now, Senators, I do want to say that it is not right to take a State that is ideally adapted to the production of this commodity, and because we came into this picture at a given time calendarically, to say that no matter what our deserts are we can never escape the shackles of that proportionate allocation.

Now, others can concern themselves about their situation, but I am speaking purely with respect to Florida's individual situation, and I do believe that we have got a right to produce according to our capacity to produce, in the same proportion that other States produce according to their capacity to produce, or something analogous to that principle. If you followed it to a logical conclusion the historical quota of Louisiana being the first one in this field Louisiana would be entitled to the satisfaction of its requirements first, those who came later into the field would get the remainder of what was left, so that we think that that logical principle is wrong as applied to the situation in Florida.

Now I started to say, Senator Capper, that if we are restricted to 63,000 tons, as I anticipate we will be under this present bill, that means that we are not going to have enough sugarcane to authorize the production of another mill, because we are approximating the capacity of the present mill we have. That means that you had just as well not have this provision in there about new producers, and you had just as well not have the provision about small farmers coming into the picture, because we will not have a sugar mill in which this production may be ground and taken care of.

So now I want to make an amendment in the form of a specific proposal; first, that for the years 1937 and 1938 Florida be allowed a capacity of 90,000 tons. That will require 27,000 tons in addition to that which we are now allocated under this bill. In other words, the 63,000 plus an additional 27,000 which I seek would make us 90,000 tons. Now I propose we have 90,000 tons.

Senator BROWN. I do not understand that you are allocated anything in this bill. It is the area that is allocated the percentage; then the Secretary allots to you.

Senator PEPPER. That is right.

Senator BROWN. We have nothing to do with that.

Senator PEPPER. Yes, you do, Senator, because you are a Member of the Senate and a member of this committee.

Senator BROWN. Well, we could do it, but under this bill we have not done it.

Senator PEPPER. I know that, but I am telling you—and Senator Ellender and Senator Andrews will bear out this statement—that we had just as well write this 63,000 tons in this bill and 357,000 tons in this bill for the respective parties as to leave it as it is, and I am approaching that question frankly at the time when I think it is appropriate to discuss it. Senator Overton, do you not regard it that that will be the division of the sugar under the present quota?

Senator OVERTON. I made this statement, that that was the ratio under existing law.

Senator PEPPER. And you anticipate it will be observed in the future, do you not?

Senator OVERTON. I do not know that the Secretary of Agriculture, under the formula proposed in this bill, which I think is practically the same formula as that formerly under the Jones-Costigan bill.

The CHAIRMAN. It is broader, Senator.

Senator OVERTON. As to the new production of small farmers?

Senator PEPPER. You see we will not gain anything; every time we put in a new producer they can put in a new producer, and a new farmer, they can put in a new farmer, so that the scales would be equal in that respect.

Senator OVERTON. But if it is predicated on past performance and the historical background then Florida will not get as much as 63,000.

Senator PEPPER. I was perhaps more optimistic, Senator, than I should have been.

Senator VANDENBERG. You are going to ask for how much?

Senator PEPPER. Ninety thousand for the years 1937 and 1938.

Senator VANDENBERG. And where are you going to get it?

Senator PEPPER. There will be 27,000 additional tons to be obtained, and we propose to get that from the Philippines. And the manner in which we propose to get it is to reduce the Philippine production. That would reduce the Philippines from 1,029,782 tons, which is specified in this bill, down to 1,002,782, with the 27,000 that I am speaking of now taken off.

Senator BROWN. Does that violate the Philippines Independence Act?

Senator PEPPER. No; that does not.

Senator BROWN. It can be done without violating that act?

Senator PEPPER. That can be done. Now, just as soon as I explain this matter, I want to ask the committee to be good enough to let Mr. Prew Savoy speak here. He is thoroughly familiar with all the technical aspects of this question and can make that statement. Then the additional tonnage would come off the Philippines and Cuba.

We will show you a way whereby every one of those tons can be taken away from those two areas without violating any treaty or law of the United States.

Now, I am presenting to you the appeal that if we can show you that, and if the merit of our case deserves your consideration, that you let us have our individual quota in that manner and specify in the bill, so that from now on our friends from Louisiana and we will not be in a cat-and-dog fight about this question of allocation of quota, because that is what I have tried to avoid.

Senator OVERTON. May I ask Senator Pepper one question?

Senator PEPPER. Yes, sir.

Senator OVERTON. Will your amendment provide for a proportionate increase in Louisiana's scale?

Senator PEPPER. Yes; it does; but whether you want that or not, Senator, depends upon your good judgment.

Senator OVERTON. I would be very glad; yes; to have a proportionate increase.

Senator PEPPER. Whether you want that or not depends upon your good judgment. The only effective part of this amendment in which I am interested is the share for Florida, and I am very much interested in that.

Senator VANDENBERG. Senator Pepper, before you ask Mr. Savoy to answer questions, what is your answer to the question I asked Senator Andrews?

Senator PEPPER. Senator, I am compelled to answer your question in the negative, as much as I regret it, for this reason: Now that is due entirely to a selfish declaration of our State's interest. I feel that I am making an answer that is consistent with the economic situation of my State when I say that, for this reason: If there were no law and there were no quota system, undoubtedly we would produce more sugar. That would give us a better predicate for subsequent consideration on the historical base. I am being perfectly frank with you about it. We happen to be the one State in the United States which can grow sugar and sell it and live without a subsidy, and we would be better off to have no subsidy but no restriction on our production, than we would be to have a restriction on our production and a subsidy.

We now under the present law have no subsidy. Of course, you do not have any, either. But consistently with the economic welfare of my State, regardless of my personal inclination or anything like that, I will be compelled to answer your question in the negative.

Now, Mr. Chairman, will you be good enough to let Mr. Savoy explain the details of this amendment that we offer, and whether or not it violates any laws or treaties on the part of the United States?

The CHAIRMAN. All right, Mr. Savoy. It is 20 minutes of 12. Proceed.

Mr. SAVOY. It will take only a moment, Mr. Chairman.

STATEMENT OF PREW SAVOY, ATTORNEY AT LAW, WASHINGTON, D. C.

Mr. SAVOY. So far as the Philippines Independence Act is concerned, we have in that provided that there shall be a tax upon all sugar in excess of 50,000 long tons of refined sugar, and in excess of 800,000 tons of raw sugar, coming from the Philippines. We have not guaranteed any specific amount.

That has been computed by the Department of Agriculture to amount to 970,000 short tons. Nine hundred and seventy thousand short tons may be brought in from the Philippines duty free. Consequently, if the amount proposed by the bill of 10,129,782 is reduced to 970,000 short tons, there would be nothing in conflict between the theory of the quota system and the theory of the Philippines Independence Act.

It has been suggested that the act presupposes deliveries in excess of the amount admitted duty free by imposing a tax thereon. From a legal standpoint, I think such a conclusion unjustified. The act gives the Philippines a preferred status on a specified quantity and says the preference stops there; after that point you will be treated like any other foreign country.

Senator PEPPER. If the Philippines send in more than 970,000 tons, what duty do they have to pay?

Mr. SAVOY. 1.875 cents.

Senator PEPPER. Which is how much—$1.87½?

Mr. SAVOY. I might say that they delivered their full quota until the Independence Act, but that they have not done so since then, and that the tax on the amount over 970,000 tons is probably the reason for it. In 1934 under the Jones-Costigan Act, the Philippines sent in 1,005,602 short tons; in 1935, 981,958; and in 1936, 1,000,829, although their quota was larger.

Senator PEPPER. Now, you will let me ask these questions of this gentleman?

The CHAIRMAN. Certainly.

Senator PEPPER. Is it economically feasible for the Philippines to send into this country in excess of 970,000 short tons; and if not, why not?

Mr. SAVOY. It is not expected on the part of most sugar people, and I think the Department of Agriculture, that much more than 970,000 short tons will be brought in, for the reason that the high rate of duty would make it too onerous to the Philippine producers. It is expected that, perhaps, they might exceed by a small quantity 970,000 tons, but that is about the economic limit.

Senator VANDENBERG. Suppose they do not bring in more than that under the bill as it stands, what happens to the excess portion?

Mr. SAVOY. It can be used by foreign countries other than Cuba only. It is what you might call a "source of trade sugars" for the trade agreements.

Senator PEPPER. To be used in the discretion of the Secretary of State as he may see fit around?

Mr. SAVOY. Probably so.

Senator PEPPER. The Philippines' capacity under this bill is how much?

Mr. SAVOY. One million twenty-nine thousand seven hundred and eighty-two.

Senator PEPPER. And if it were reduced by the 27,000 which we ask, to make up our 90,000, it would leave how much for the Philippines?

Mr. SAVOY. One million two thousand seven hundred and eighty-two for 1937 and 1938.

Senator PEPPER. And that is in excess of what they have been sending in?

Mr. SAVOY. It is approximately what they have been sending in.

Senator BROWN. That is true as of the last 2 years, but it is not true of the previous years. They shipped in over 1,000,000 in 1932, in 1933, and in 1934.

Mr. SAVOY. In 1934, 1,005,602. That is why I said it was approximately the same. There is a difference of around 3,000 tons, which is not a large proportion of a million.

Senator BROWN. But the Philippine quota is below production of the 2 years previous to the enactment of the Jones-Costigan bill, is it not?

Mr. SAVOY. Oh, yes; but after the Jones-Costigan bill went into effect that materially reduced production, and they have kept their production down. The Tydings-McDuffey Act presupposes that the production will be kept down in the Philippines.

Senator PEPPER. Assume that Florida would get 150,000 tons for the year 1939, how would that tonnage be derived?

Mr. SAVOY. On the plan which you have proposed, 59,782 tons would come from the Philippines and 27,218 from Cuba, for 1939, and for 1940, 59,782 tons come from the Philippines and 52,218 from Cuba.

Senator PEPPER. State whether or not there would be any conflict between that and our reciprocal trade agreement with Cuba.

Mr. SAVOY. As I conceive the trade agreement, it would not be in conflict in any way. Article V of the Cuban trade agreement provides that—

> No quantitative restriction shall be imposed by the United States of America on any article, the growth, produce, or manufacture of the Republic of Cuba, enumerated in the schedule, * * * provided that the foregoing provision shall not apply to prohibitions or restrictions designed to extend to imported products a regime analogous to that affecting like or competing domestic products, such as restrictions imposed on imported products, the production of which may be restricted within the importing country.

Senator PEPPER. And what is the substance of that?

Mr. SAVOY. In other words, we cannot impose upon Cuban imports a quantitative restriction or a quota, unless we have imposed quantitative restrictions upon the production of like articles in the United States.

Senator PEPPER. But there is nothing in the reciprocal agreement that would prevent this country from allowing a fair quota to any part of the United States?

Mr. SAVOY. Nothing whatsoever. There is no guaranty of a given quota to Cuba.

Senator BROWN. Mr. Savoy, it would, however, be contrary to one of the main points in the President's sugar message, wherein he said:

> In order to protect the expansion of markets for American exports I recommend that no decrease be made in the share of other countries in the total quotas.

In other words, it is bound up, and sugar is one of our principal trading points in the reciprocal trade agreements, and it would certainly be in violation of his ideas as there expressed.

Mr. SAVOY. It is contrary, yes, sir, just as other provisions in the present bill are contrary to the message.

Senator BROWN. We are threatened with a veto from one angle, and we do not want to get one from another.

Senator PEPPER. Mr. Chairman, in answering pertinently that inquiry of the Senator from Michigan, I do want to say that I am not at all certain that that language of the President did not relate to not reducing the actual tonnage which these countries have enjoyed, and did not necessarily mean that they should receive the same proportionate share in the increased consumption.

We do not propose to violate that principle, but I do feel that the increased consumption in the United States is due largely to the people of the United States, and that we are locally, particularly in instances like ours, entitled to a fair initial quota, at least before somebody else who got a generous quota is entitled to an increase, provided we do not reduce the total number of tons that they have been receiving in that.

Senator BROWN. Of course, Senator, I represent automobiles as much as I do sugar.

Senator PEPPER. That is right.

Senator BROWN. I have to take that into consideration. Senator Herring represents the production of pork of the nonpolitical kind, and he has to take that into consideration.

Senator PEPPER. Let me make a proposal to you, Mr. Chairman, to this committee. I want you to listen to this proposal. I want to restrict the production of automobiles in Michigan so that Canada can sell more automobiles and thereby become richer, so that she can buy more Florida citrus fruits. That is exactly the converse of what is being done to us now. They are selling out Florida for the benefit of another section of this country.

Senator BROWN. If you do that, Walter Chrysler and A. P. Sloane will not make so many millions, and they will not be spending tremendous sums in building palaces down in Florida.

Senator PEPPER. Those places are so attractive that they will come from other places, if they do not come from there.

Senator BROWN. You would not want them there unless they had cash.

The CHAIRMAN. Mr. Savoy, is there something else?

Senator PEPPER. Now, go ahead. What will Cuba's quota be under the proposal that you make, Mr. Savoy?

Mr. SAVOY. Cuba's quota for 1937 and 1938 will be 1,911,476 tons, which is exactly what is provided in the bill. She is unaffected in 1937 and 1938; 1,884,258 for 1939, and 1,859,258 for 1940 and thereafter, which is in excess of her deliveries in 1934 and 1935. Her deliveries for 1934, 1935, and 1936 were: 1,866,482 for 1934; 1,822,596 for 1935, and 2,102,607 for 1936, which came about because of the beet shortage of 200,000 tons and a shortage in the Philippines in her deliveries and in the deliveries from Hawaii. Cuba got the major portion of that.

Senator PEPPER. Now, Mr. Savoy, if this principle were put into effect and this amendment were adopted, how would the future quota

of Cuba stand with respect to what it was under the Jones-Costigan Act—what it was actually allotted, not the excesses it got by deficiencies, and so forth.

Mr. SAVOY. Her actual quota, initially, would be in excess of the original quota of 1934, and in excess of the original quota in 1935.

Senator PEPPER. In other words, it would simply in practical effect, give to Florida something that Cuba has enjoyed heretofore, which came from a deficit in some other sugar-producing area?

Mr. SAVOY. A small portion of it was due to increased consumption requirements at the end, but the larger portion was due to the deficits.

Senator OVERTON. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes.

Senator OVERTON. How much additional sugar does the amendment that is contemplated by Florida give to Louisiana?

Senator PEPPER. Now, suppose you state what would be the effect of this amendment on other areas, as you now have it.

Mr. SAVOY. The proposed amendment which Senator Pepper has given to me does not touch any other area. It leaves Louisiana at 357,000 tons. I think what Senator Pepper had in mind, Senator Overton, was this: He had been looking at 220,000 tons for Louisiana and 40,000 tons for Florida under the Jones-Costigan Act. Under the bill Louisiana gets an increase of 137,000 tons. Under Senator Pepper's amendment Florida gets an addition of 135,000 tons. His position was that the increase is equal between Louisiana and Florida.

Senator PEPPER. But Louisiana still preserves the handicap that we start off under, of their having 220,000 and we only having the 40,000?

Mr. SAVOY. That is right.

Senator OVERTON. Then do I understand this increase is going to flow, none to the beet area and none to any other continental producing area?

Mr. SAVOY. That is right.

Senator PEPPER. In other words, this amendment does not affect this bill as it gives the quota to the beet area, nor as it gives a quota to Louisiana. That relates entirely to our individual situation.

Now, are there any other questions Mr. Chairman? Now, if I may, I would like to offer this amendment to the committee.

The CHAIRMAN. All right, it will be received by the committee.

(The amendment submitted by Senator Pepper is as follows:)

Page 6, strike out lines 23 and 24; and page 7, strike out lines 1 to 7, inclusive, and the table which follows, and insert:

"(a) For domestic sugar-producing areas:

Quotas (short tons)

	1937-38	1939	1940
Domestic beet sugar	1,550,000	1,550,000	1,550,000
Louisiana	357,000	357,000	357,000
Florida	90,000	150,000	175,000
Hawaii	938,000	938,000	938,000
Puerto Rico	708,000	708,000	708,000
Virgin Islands	9,000	9,000	9,000
(b) For the Commonwealth of the Philippine Islands	1,002,782	970,000	970,000
(c) For foreign countries			
Cuba	1,911,476	1,884,288	1,859,288
Foreign countries other than Cuba	26,412	26,412	26,412

(d) In the event that the Secretary determines that the amount of sugar needed to meet the requirements of consumers is less than 6,682,670 short tons, then the Secretary shall first establish the quotas for the areas and in the respective amounts set forth in subsections (a) and (b) and after deducting the total thereof from the determined consumption requirements shall prorate the difference on the basis of the quota established for Cuba and foreign countries other than Cuba, in subsection (c); if the Secretary determines that the amount of sugar needed to meet the requirements of consumers exceeds 6,682,670 short tons, then the Secretary shall deduct the total of the quotas set forth in the subsections (a) to (c), inclusive, from the determined consumption requirements and shall prorate the balance among the domestic sugar-producing areas set forth in (a) and Cuba and foreign countries other than Cuba, on the basis of the quotas set forth in subsections (a) and (c).

Mr. SAVOY. That amendment, Mr. Chairman, keeps the same concept as in the bill. In other words it guarantees a minimum quota to the United States, where the consumption requirements are under 6,682,670, and the difference between the American production and the consumption requirements, where they are under that figure, is then apportioned between Cuba and other foreign countries, after deducting the Philippine quota. Where the consumption requirements are in excess of 6,682,670, then all areas except the Philippines share in the increased consumption according to their initial original quota. It was necessary to draft it differently than in the bill because there they started with percentages, the domestic areas receiving a percentage of the whole, the foreign countries, and the Philippines a percentage of the whole, but the theory is the same.

Senator PEPPER. Mr. Chairman, just this, in conclusion. This amendment, if adopted, will, in my opinion, bring us up to something of the same ratio in the production to capacity of production which Louisiana and the other States enjoy. It looks from then on, it seems to me, that if the quotas can be allocated that principal can be fairly preserved, and we certainly hope that the committee will attend to that.

The CHAIRMAN. Is there anything else on this proposition?

Senator PEPPER. That is all so far as I know; yes, sir.

Senator OVERTON. Mr. Chairman, I would like to present Mr. Bourg to the committee, to make a short statement.

The CHAIRMAN. All right, Mr. Bourg, you may make a short statement.

Senator BROWN. Might I ask Senator Pepper another question?

Senator PEPPER. Yes, indeed.

Senator BROWN. In answer to Senator Vandenberg's question about whether you would support this bill without your amendment, I want to ask you this: Is it the belief of the Florida sugar people that they can produce and refine sugar in Florida as cheaply as they can in Cuba?

Senator PEPPER. Senator, I can answer your question, that I will say positively to a point within a fraction of a cent, and I believe with an increased quota, which will reduce the overhead on our mills, that we can meet the lowest production costs of Cuba.

Senator BROWN. In other words, you think your industry could survive down there without any Government aid?

Senator PEPPER. Yes; and without any subsidy.

Senator BROWN. And without any tariff protection?

Senator PEPPER. Yes; I do. I am honest in that opinion, due to the efficiency.

Senator BROWN. You realize that without a sugar bill the continental production by the beet and cane people of Lousiana—because they would not have that view, I know—without a bill the sugar industry in the United States is gone. That is the general feeling. That would mean in the event you can produce sugar as cheaply as Cuba can, you are asking the entire sugar industry in the rest of the country be eliminated so that Florida may produce sugar.

Senator PEPPER. No, sir, Senator; I am not asking that.

Senator BROWN. I think you ought to take a little broader view than you do of it.

Senator PEPPER. No, Senator; if I have given that impression, I am sorry; I did not intend to do that. I do present this appeal to your own sense of fairness, and I appreciate your personal attitude in this matter. I do say that since I have been here nobody has ever consulted me or, so far as I know, my colleague in framing these sugar bills. We have been treated just as nearly like orphan children as it is possible for men to be. They had a conference at the White House the other day and I presented myself with an aspiration to go, and I was not permitted to go. They said there was a select committee that had been designated to go.

Senator BROWN. Louisiana was not represented, either.

Senator PEPPER. All right. When they start to write a sugar bill, certain Senators get together, and they write it, and they go over and talk to the Department, and they come back over here, and it is put in the hopper, and here we are. Now, I will be perfectly frank with you, Senator, I do not appreciate that, and I am not going to sit by with a feeling in my heart that we have not been particularly considered, and sacrifice the economic position of my State, which with respect to this question is superior to any State in the Union, so far as natural advantages are concerned. Now, I do say that I am presenting to this committee, I do not come in here with anything other than an honest appeal, and I come here trying to show you how you can do what we are asking you to do, and I am trying to keep from stepping on the toe of a single one of the States of the American Union, but I do say we have got a right to live, and we have got a right to grow sugar, since God has fitted us for it, and since we have shown ourselves able to produce it.

If the rest of the sugar-producing section is to ignore us and say, "Well, you came into this picture late, and you are getting enough, anyway, and we have got to have a sugar bill", I reply to you then, "We do not have to have a sugar bill, Senator, to live." Now, if our natural advantage is what it is, is it not equally fair for the rest of the sugar-producing industry to say to us, "All right; we will let you come up into a place in the sun and give you a fair ratio to your productive capacity, and then we will all move forward in something like the same principle hereafter"?

Now that is what I am asking, Senator. I present that earnest appeal to you.

Senator BROWN. Let me say that in my own judgment, from some 4 or 5 years of experience here in the sugar fights, if Florida is the only State in the Union that is left in the business of sugar production, I do not think it will last very long down there.

Senator PEPPER. Senator, we do not want to be the only one.

Senator BROWN. Because you need more political power, to be perfectly frank, than Florida can exert on the subject.

Senator PEPPER. You are absolutely correct, Senator. We are not making the plea on political power, because we only possess two votes. I do not come in here in that spirit at all. I am here to say that this State, although it came late into this picture, nevertheless you do not have a right in justice and fairness to say to us, "We are going to give you forever a vise in which you cannot expand."

Now all I want is the right of the same ratio to total productive capacity that anybody else in the United States has, and I do not know why any American State has not that right. You mean you are going to shut the doors here. Suppose another State should show it is adapted to the production of this commodity; are all the rest of the States going to get together and say, "No; because you came historically late into this picture", and a sovereign State of the United States is forbidden by Federal law to produce that which is naturally a product of its own soil?

Senator, that is wrong, and I am asking you here and trying to show you how you can do that, to give us that fair basis upon which we can go along as brothers with you and not as a stepchild that is led along by some reluctant and unappreciative finger.

The CHAIRMAN. Senator Overton.

Senator OVERTON. Mr. Bourg.

STATEMENT OF C. J. BOURG, VICE PRESIDENT OF THE AMERICAN SUGAR CANE LEAGUE OF LOUISIANA

Mr. BOURG. I know the committee is sitting overtime, and I should like the privilege of submitting the statement I have prepared for the record, but I would like to say this, that speaking for the Louisiana sugar industry we are willing to accept the Jones bill as passed by the House, for three reasons, and those are, first, that it represents a compromise after much deliberation; secondly, because it is a limited-term bill and therefore it is not in the nature of permanent legislation; and thirdly, because the adjournment of Congress is upon us and we would like to have sugar legislation.

With regard to amendments, if I may be so bold as to interject myself into the senatorial debate, the basic question involved is not one of the rights of States, it is one of the rights of farmers, individual farmers, as represented by farming units. That, fundamentally the Department of Agriculture has consistently maintained throughout all of its agricultural adjustment programs, that is, the historical background, and the individual rights of farmers as represented by farm units.

Obviously those farmers who have maintained the domestic industry of the United States have a prior right, and a preferential right if you please, to continued participation, not to the exclusion of all others. We agree thoroughly with the principle that there should be no restriction upon continental production, but if there is to be restriction, then certainly those who have stayed in the business and suffered through the depression and have lost money should certainly be allowed to recoup and get their full share of the melon, if one is to be divided.

As to the amendments to the bill, if any are to be considered, we would certainly like to have a consideration by the committee of

having an official of the Department of Agriculture explain section 201, which contains a yardstick for price control. That is something that is new in sugar legislation, and the provision has never been explained officially in any of the records. No one appeared at the House hearing according to the printed record, and there have been no official statements submitted so far as we know.

We do not suggest that at all in a critical sense. On the contrary, we would like to know how it will work out and what will be the effect upon the individual farms. We also would like to know whether the acreage allotments will be made to farmers in Louisiana, because in the bill it says, "Either acreage, tonnage, or pounds of sugar."

We understand that Hawaii and Puerto Rico prefer tonnage and pounds of sugar, but the United States farmers generally prefer acreage, because then we are not to be penalized because we follow scientific methods, as was done in the case of Louisiana in 1935. Our increased production was not because of any increase in acreage but it was because scientists of the Department of Agriculture furnished us with a variety of cane which is so prolific that on a reduced acreage, if you please, we produced more than we had formerly on a stated acreage.

We were penalized, and we were the only unit or area in the whole sugar program that was penalized, not through any fault of our own, as may have been suggested or as may be the idea, but because we followed the scientific suggestions of efficient farming and the use of more prolific varieties. We would like to avoid being penalized, and we believe it can be avoided by one of two amendments, if they are necessary (unless the Department is willing to say officially in advance what its policy will be) and that is that we would have acreage allotments which would permit of a full production of any acreage, letting the acreage be restricted, if you please, or that the benefit payment shall be made upon the final quota.

We had a basic quota of 260,000 in 1936, but a final quota of 392,000, and we furnished that sugar, and the sugar that was produced prior to the Supreme Court knocking out the tax provision paid taxes.

All of that sugar which paid taxes and which was delivered under the quota, nevertheless was made the subject of penalties on sugarcane from which that sugar was made.

Evidently under the existing law that had to be done. Let us assume that. But certainly Congress should clarify that and protect the individual growers from being the victims of penalties because they follow the scientific methods of the Department of Agriculture.

The CHAIRMAN. We will get an explanation from the Agricultural Department on that.

(Subsequently the Department of Agriculture submitted the following memorandum.)

MEMORANDUM RE ESTABLISHING PROPORTIONATE SHARES OF THE LOUISIANA CANE SUGAR QUOTA TO PRODUCERS

At the time of the initiation of the former sugarcane production adjustment program in 1934 the data available with respect to yields of sugarcane per acre for the majority of growers in Louisiana were meager. Due to this fact, it was necessary to divide the Louisiana quota among growers by proportioning it in terms of production allotments. Consequently the contract provided for a

base production and a production allotment expressed in tons of sugarcane. In order not to penalize producers who did not have a uniform and a continuous production history they were given an opportunity to select one or more of several years, the production in which was used to determine their base production and production allotment.

Section 6 of the contract provided in part as follows:

"The producer hereby agrees that the production of sugarcane on his farm for delivery to sugar factories for the crop year 1935 * * * shall not exceed the production allotment for that crop year. If the producer in any crop year exceeds his production allotment * * * the Secretary may in his discretion either cancel the contract or decide to continue the contract in force, in which case such excess sugarcane shall be disposed of in the manner determined by the Secretary in his discretion * * *."

When it became apparent, due to unusually favorable weather conditions and the development of new varieties of cane, that there would be an exceptionally large 1935 crop, the Secretary of Agriculture, instead of canceling the contract (pursuant to the above section) for those producers who would obviously exceed their production allotment and thereby be disqualified for any benefit payment whatsoever, issued a series of administrative rulings which permitted growers not only to market up to their base production without any deduction in their payments, but also permitted them to market in excess of their base production provided they accepted a graduated scale of deductions.

The Secretary also determined that these deductions would apply only to the final 1935 payment. If the total deductions were in excess of this amount, the growers would, nevertheless, be paid all of the other payments due under the contract. If the Secretary of Agriculture had not issued these administrative rulings permitting marketings in excess of the production allotments, the sugarcane producers of Louisiana would obviously have received several million dollars less than the amount that has been paid to them.

In view of the acreage and production data that has been obtained during the past 3 years, some of the major difficulties that existed when the former program was initiated do not now exist and the establishment of proportionate shares to the Louisiana growers on an acreage basis may be practicable.

A copy of the Louisiana Sugarcane Production Adjustment Contract of 1934 is attached for reference.

Form Sugar 103
UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Approved by Comptroller General U. S.
November 28, 1934

(To be sent to Washington)

Parish [1] } Parish Code_____
Parishes } Serial Number_____

SUGARCANE PRODUCTION ADJUSTMENT CONTRACT

(PURSUANT TO THE AGRICULTURAL ADJUSTMENT ACT APPROVED MAY 12, 1933, AS AMENDED)

The Secretary of Agriculture in accordance with the act proposes to make payments to a farmer who grew sugarcane in Louisiana in the crop year 1934 that is processed in sugar factories and/or who grows sugarcane in Louisiana in the crop years 1935 and/or 1936 for processing in sugar factories if he agrees to accept the terms and conditions set forth in this Sugarcane Production Adjustment Contract (hereinafter referred to as "this contract"). A farmer will be eligible to enter into this contract, as producer, with the Secretary of Agriculture if he controls by ownership, lease, or otherwise, the use of a farm located in Louisiana, which is described below, during the term of this contract, except that a person controlling the use of a farm for the period required to produce the 1935 crop shall be eligible if he secures the execution of the agreement required under section 24.

[1] Strike out subsections not elected.

The undersigned _____ hereinafter re-
(Type or print name on line above—same as signature)

ferred to as "the producer", post-office address _____ _____ _____
(R. F. D.) (Box no.) (Post office)

_____ _____ farm containing _____ acres, of which _____ acres
(State) (Owning or renting)

are cultivated, located _____ from _____ on _____
(Miles and direction) (Town)

Road in _____ Ward of _____ Parish, State of Louisiana hereby offers to enter into a contract with the Secretary of Agriculture (hereinafter referred to as "the Secretary") upon the terms and conditions hereinafter set forth and subject to such regulations and administrative rulings (which shall be deemed to be part of the terms and conditions of this contract) as have been heretofore or may hereafter be prescribed by the Secretary, relating to Sugarcane Production Adjustment Contracts. Execution by the Secretary or his authorized agent of the "Acceptance by the Secretary", hereto attached, shall cause this offer to become a binding contract between the producer and the Secretary.

PART I. PERFORMANCE BY THE PRODUCER

1. *Definitions.*

(*a*) *Sugarcane.*—The term "sugarcane" wherever used in this contract shall refer to sugarcane sold to sugar factories equipped for making sugar, except as the term "sugarcane" is used in sections 2, 6, and 8.

(*b*) *Sugar factory.*—A sugar factory is a factory equipped for making raw or direct consumption sugar.

(*c*) *Sirup factory.*—A sirup factory is a factory equipped only for making sirup.

2. *Production and farms covered herein.*—The producer represents that in the 1934 crop year there were engaged in growing sugarcane on the above mentioned farm, hereinafter referred to as "this farm" _____ share-tenants and _____ share croppers, and represents that the sugarcane produced and delivered to sugar factories for the crop years 1929, 1930, 1931, 1932, and 1933 was as follows:

Crop Year	Represented Data of the Producer	Corrected Data of the Committee (not to be filled in by producer)
	Sugarcane produced and delivered to sugar factories	Sugarcane produced and delivered to sugar factories
	Tons	*Tons*
1929		
1930		
1931		
1932		
1933		

The producer further represents that upon this farm in the crop year 1934 there were (or are to be) harvested the following: _____ acres of sugarcane for delivery to sugar factories; _____ acres of sugarcane for delivery to sirup factories; _____ acres of sugarcane for seed.

The producer agrees that such of the acreage and production figures contained herein as are not supported by substantiating evidence acceptable to the Secretary, may be corrected by the Secretary, based upon the best available information.

The producer further represents that he does not control any other farm in this State, on which sugarcane is being grown, which is not covered by a similar contract. The producer agrees that he will execute an offer for a contract with respect to any other farm or farms in this State on which sugarcane is being grown, either now or hereafter controlled by the producer, *provided, however*, that where the prior owner of land hereafter acquired has

already entered into a contract, with respect thereto, the producer shall be bound by such contract and entitled to the allotment thereunder pursuant to section 13. Any breach of any of the terms and conditions of such like contract, or contracts, shall be grounds for termination of this contract by the Secretary. Any such farm now or hereafter controlled by the producer as to which he does not enter into a contract, shall be deemed to be a part of this farm under this contract and subject to the limitations imposed with respect thereto, until such time as he enters into a contract with respect thereto.

3. *Base production.*

(*a*) The producer shall have the right to choose any one of the following methods[1] for determining the "base production" of this farm.

(1) The average production of sugarcane for the crop years of 1929, 1930, 1931, 1932, and 1933, provided sugarcane was grown in the crop years 1932 and/or 1933.

(2) The average production of sugarcane for the crop years of 1930, 1931, 1932, and 1933, provided sugarcane was grown in the crop years 1932 and/or 1933.

(3) The average production of sugarcane for the crop years of 1931, 1932, and 1933 provided sugarcane was grown in the crop years 1932 and/or 1933.

(4) The average production of sugarcane for the crop years 1932 and 1933.

(5) Seventy (70) percent of the production of sugarcane for the crop year of 1933 or 1934. In the event a producer chooses the crop year 1934 to determine his base production under this paragraph, his base production for the crop year of 1934 shall be seventy (70) percent of the production of sugarcane for the crop year of 1934. In the event the production data for 1934 is not available, the 1934 production of sugarcane shall be estimated by multiplying the 1934 acreage available for harvest for sugarcane by the average yield per acre of sugarcane for Louisiana in 1933 as determined by the Secretary.

(6) If a producer becomes a party to a contract applicable to only the 1935 or 1936 crop years, and none of the above options are applicable to the producer, the Secretary shall determine his base production in a manner equitable to the producer and to other producers.

(*b*) The "base production" for this farm is _____ tons, calculated from option _____.

4. *Production allotment.*—The "production allotment" for this farm shall be determined by the Secretary from the base production specified above within thirty (30) days after the signing of this contract, and such amount (subject to adjustments under sec. 5) shall be deemed to be incorporated as a part of this contract. Such production allotment shall be a pro rata share of the total production for the State of Louisiana allotted pursuant to this contract; *provided, however*, that the total production thus allotted to Louisiana for the 1935 and 1936 crop years shall not be less than the production of sugarcane necessary (as determined by the Secretary) to yield the amount of sugar allotted, or to be allotted, to processors of sugar in Louisiana by the Secretary pursuant to the Agricultural Adjustment Act as amended.

5. *Increase or decrease of production allotment.*—The production allotment for this farm may be adjusted in the discretion of the Secretary as follows:

(*a*) If the Secretary shall determine for the year 1936, prior to the planting of sugarcane for that crop year, that the carry-over of sugarcane or sugar from sugarcane into 1936 plus the estimated production for that crop year (unless adjusted pursuant to this paragraph) would exceed Louisiana's share (as determined by the Secretary) of the quota for the United States sugarcane area plus an amount equal to the normal carry-over, then the Secretary may revise uniformly the production allotments for all producers; *provided, however*, that if in any section of Louisiana, by reason of conditions not within the control of producers, such producers have not equalled their total p oduction allotments for the preceding year, such revision may be adjusted in their behalf.

(*b*) The Secretary may, for a particular crop year, offer a producer an increased production allotment. Upon the producer's acceptance of such increased allotment, the producer shall be bound by all of the provisions of the contract as regards such increase for that particular year.

(*c*) The producer agrees to notify the Secretary, for each of the crop years of 1935 and 1936, on or before a specified date to be announced by the Secretary (which date shall be a reasonable period before the opening of the planting season for each such crop year), what part of his production allotment such producer intends to produce. If the producer gives notice of his intention to

[1] Strike out subsection not elected.

produce less than his production allotment, or does not plant an acreage sufficient to yield his full production allotment, on or before a specified date to be announced by the Secretary, then the Secretary shall revise downward accordingly such producer's production allotment, and such adjusted production allotment shall be his production allotment for that crop year; but the producer shall not thereby lose his right to deliver in the following crop year his production allotment as herein otherwise determined.

6. *Agreement not to exceed production allotment.*—The producer hereby agrees that the production of sugarcane on this farm for delivery to sugar factories for the crop year 1935 and, in case the Secretary exercises his privilege under section 19, for the crop year 1936, shall not exceed the production allotment for that crop year.

If the producer, for any crop year, exceeds his production allotment, or grows more sugarcane for seed and/or sirup than is permitted hereunder, the Secretary may, in his discretion, either cancel the contract or decide to continue the contract in force, in which case such excess sugarcane shall be disposed of in the manner determined by the Secretary in his discretion, or, if the producer has already disposed of such excess sugarcane, the Secretary shall be entitled to any rights or to any proceeds arising from such disposition.

The producer further agrees (1) that the acreage of sugarcane planted on this farm in 1935 and, in case the Secretary exercises his privilege under section 19, then also for 1936, for sugarcane to be delivered to sugar factories shall not be in excess of the acreage necessary on the basis of the average yield per acre of this farm to produce the production allotted to this farm; (2) that the acreage of sugarcane to be used for seed for the 1936 crop shall not be in excess of the acreage necessary to supply seed sufficient to produce the production allotment for this farm, except where it is established that this farm was engaged in producing sugarcane for seed on a commercial basis; and (3) that, in the event, the producer delivered sugarcane to sirup factories in the crop year 1934, the acreage of sugarcane grown on this farm for delivery to sirup factories in the crop year 1935 and/or 1936 shall not be greater than the acreage grown for such deliveries in the crop year 1934, except as may be permitted under a contract between the producer and the Secretary. If the producer plants or has planted acreage in excess of that permitted under this section, the Secretary may withhold all payments due hereunder until such time as the acreage is adjusted to the limits provided.

7. *Marketing cards.*—The producer shall submit such data relating to sales and deliveries of sugarcane as the Secretary may require on cards to be known as "Marketing Cards" to be provided by the Secretary. The producer shall certify to the truth of the information stated on such cards, and shall deliver them to his Parish Sugarcane Production Control Association within the time and in the manner provided thereon.

8. *Number of share-tenants and share-croppers not to be reduced.*—The producer agrees that he will not reduce the number of share-tenants and/or share-croppers engaged in growing sugarcane on this farm for deliveries to sugar and sirup factories in the crop years 1935 and/or 1936 below the number so engaged, if any, for the 1934 crop year, because of the reduction in sugarcane acreage and sugarcane production, or because of any other provisions in this contract.

9. *Assignments prohibited.*—It is agreed that the producer will not sell, transfer, or assign, in whole or in part, this contract, except as provided in section 13, or his right to or claim for payments under this contract, and will not execute any power of attorney to collect such payments or to order that any such payments be made, and any such sale, assignment, order or power of attorney shall be null and void.

10. *Labor conditions.—To effectuate the policy of section 8 (a) 3 of the act, as amended.*—

(*a*) *Child labor.*—The producer hereby agrees not to employ, nor to suffer nor permit the employment of, by any other person, directly or indirectly, in the production, cultivation, and/or harvesting of sugarcane on this farm, any child under the age of 14 years, except a member of his own family, whether for gain to such child or any other person; and he agrees not to so employ or permit such employment of a child between the ages of 14 and 16 years, inclusive, except a member of his immediate family, for a longer period than 8 hours each day.

(*b*) *Fixing of minimum wages.*—The Secretary shall have the authority (1) after due notice and opportunity for public hearing at a place accessible to producers and workers involved, and (2) on the basis of a fair and equitable

division among processors, producers, and workers of the proceeds derived from the growing and marketing of sugarcane, and the products thereof, to establish minimum wages for Louisiana, to be paid by producers to workers and, where necessary, the time and method of payment, in connection with the production, cultivation, and/or harvesting of the 1935 and/or the 1936 crops of sugarcane. The producer agrees to abide by the determination of the Secretary when such minimum wages and the time and method of payment have been established.

To insure a fair and equitable division among processors, producers, and workers of the proceeds derived from the growing and marketing of the 1934 crop, the producer, for himself and on behalf of the persons whose performance he guarantees, as provided in section 14, hereby agrees to pay promptly, or cause to be paid promptly, to the workers who work or have worked on this farm, or in factories processing sugarcane, controlled by the producer or such other persons, all bona fide claims for wages for said workers arising in connection with the production, cultivation, harvesting and/or processing of the 1934 crop, and to provide the Secretary, prior to the time of payment of the final 1934 crop payment under this contract, with a certificate to the effect that such claims have been paid. The Secretary shall have the right, in his discretion, to refuse to make the final 1934 crop payment due under this contract, to the producer, unless the producer shall submit additional evidence satisfactory to the Secretary that all of such wages have been paid.

(*c*) *Adjudication of labor disputes.*—The producer hereby agrees that he will abide by the decision of the Secretary with respect to any labor dispute involving the producer, in connection with the production, cultivation, and/or harvesting of sugarcane of the producer, when any such dispute has been presented to the Secretary by the producer or any other person and the Secretary has determined to adjudicate such dispute.

11. *Access to records.*—For the purpose of supervision and investigation of the performance by the producer of the terms hereof, the Secretary, shall at all reasonable times have entry to this farm and access to all records for this farm, and the producer shall furnish to the Secretary such information relating to this farm as may be requested by the Secretary.

12. *Warranty as to representations.*—The statements contained herein are true to the best of the knowledge and belief of the producer. A material misstatement herein, or any noncompliance by the producer with any of the terms hereof, or with any regulations or administrative rulings which have been or may hereafter be issued with reference to this contract, shall be grounds for a rescission and/or termination thereor by the Secretary. The determination of the Secretary that any such misstatement or noncompliance has occurred shall be final and conclusive. In the event of a rescission and/or termination hereunder, the producer shall return to the Secretary any payments theretofore paid to the producer, together with all costs incident to the collection thereof.

13. *Covenants and production allotments on transfer of farms.*—All undertakings herein of the producer are covenants which shall run with the land and shall be fully obligatory upon all future transferees, purchasers, lessees, tenants, and encumbrancers of this farm, or any part thereof, whether such transfer, purchase, lease, or encumbrance has resulted by voluntary agreement or by operation of law. In the event that the entire farm is sold or otherwise transferred, the transferee shall be entitled to the production allotment herein assigned to this farm. In the event that any portion of this farm which is suited for the growing of sugarcane is sold or otherwise transferred, the transferor and the transferee of such portion shall agree as to the division of the production allotment between the portion transferred and the remainder. Such division shall constitute the production allotment, for the portion of the farm transferred and the remainder thereof, unless the Secretary sees fit to revise it. In the event that no such division is made upon such a transfer, the Secretary shall, when notified in writing of such transfer, determine the production allotment for the portion transferred and for the remainder of this farm.

14. *Agreement as to the sale of sugarcane.*—In the event the Secretary shall issue allotments to processors for the marketing of sugar manufactured from sugarcane, the producer hereby agrees not to sell, in 1935 and/or 1936, sugarcane, to a processor who has not received such an allotment for 1935 and/or 1936.

The producer agrees that he, and hereby guarantees that any person controlling him or controlled by him, by stock ownership or in any other manner,

hereinafter called "the affiliate" and "the subsidiary", respectively, or any other person controlled by or controlling such affiliate or subsidiary, by stock ownership or in any other manner, (*a*) will enter into contracts providing fair prices to be determined by the Secretary for all sugarcane bought or sold by him or such persons, and for the adjudication by the Secretary or his duly authorized agent of any disputes arising with respect to any of the terms of the sale and purchase of sugarcane, and (*b*) that the Secretary shall have the authority, (1) after due notice and opportunity for public hearing at a place accessible to the workers involved, and (2) on the basis of a fair and equitable division among processors, producers, and workers, of the proceeds derived from the growing and marketing of sugarcane and sugar and the products thereof, to establish minimum wages for Louisiana, to be paid by the producer and the above persons whose performance he guarantees, to workers and, where necessary, the time and method of payment, in connection with the processing of the 1935 and/or 1936 crops of sugarcane, and the producer agrees that he and the above persons whose performance he guarantees, will abide by the determination of the Secretary when such minimum wages and the time and method of payment have been established. The performance required by this section on the part of the producer and upon the part of the persons whose performance he guarantees shall be a condition precedent to the obligation of the Secretary to make payments hereunder.

PART II. PERFORMANCE BY THE SECRETARY

15. *Standard sugarcane.*—The 1934 and 1935 crop payments shall be made on the basis of standard sugarcane, such standard to be determined by the Secretary.

(*a*) *1934 crop payments.*—For the 1934 crop there shall be made two payments to be known as "the advance 1934 payment" and "the final 1934 payment", respectively.

(*b*) *Advance 1934 payment.*—There shall be paid to the producer one dollar ($1) per ton (and proportionately for each fraction of a ton computed to the nearest tenth) of the base production of the farm, except where the Secretary estimates that the producers' production will be less, in which case payment will be made on such estimated tonnage. This payment shall be made as soon as practicable after December 1, 1934.

(*c*) *Final 1934 payment.*—There shall be paid to the producer an amount which, when added to the advance 1934 payment, and the average market price of sugarcane as ascertained by the Secretary, shall result in a price, equal to the parity price per ton of sugarcane, as determined by the Secretary in accordance with section 2 (1) of the act, for each ton of sugarcane (and proportionately for each fraction of a ton computed to the nearest tenth), produced on and delivered from this farm in the 1934 crop year. In no event shall the total of the 1934 crop payments be less than one dollar and twenty-five cents ($1.25) per ton of sugarcane for which payment is to be made. This payment shall be made after proof satisfactory to the Secretary has been submitted to the Secretary, (1) of the total tons of sugarcane produced on and delivered from this farm in the crop year of 1934, and (2) that the acreage of sugarcane growing on this farm for the crop year of 1935 is not in excess of the acreage as provided for in section 6. This payment shall be made as soon as practicable after March 1, 1935, if the proof required above has been submitted.

16. *1935 crop payments.*—For the 1935 crop there shall be made two payments to be known as "the advance 1935 payment" and "the final 1935 payment", respectively:

(*a*) *Advance 1935 payment.*—This payment shall not be less than fifty cents (50¢) per ton of sugarcane (and proportionately for each fraction of a ton computed to the nearest tenth) of the base production for that crop year, except where the Secretary estimates that the producer's production for such crop year will be less, in which case payment will be made on such estimated tonnage. This payment shall be made after proof satisfactory to the Secretary has been submitted to the Secretary, (1) that the producer has fully performed all the terms and conditions of this contract to be performed on his part in respect to the 1934 crop, and (2) that the acreage growing on this farm for the 1935 crop year is not in excess of the acreage as provided for in section 6. This payment shall be made as soon as practicable after March 1, 1935, if the proof required above has been submitted.

(*b*) *Final 1935 payment.*—There shall be paid to the producer an amount which, added to the advance 1935 payment and a fair price for sugarcane, to be determined by the Secretary, shall result in a price equal to the parity price per ton of sugarcane, as determined by the Secretary in accordance with section 2 (1) of the act, for each ton of sugarcane (and proportionately for each fraction of a ton computed to the nearest tenth) produced on and delivered from his farm in the 1935 crop year, but in no case on a tonnage greater than the production allotment. This payment shall be made after proof satisfactory to the Secretary has been submitted to the Secretary (1) of the total tons of sugarcane produced on and delivered from this farm in the crop year 1935, (2) that the applicable provisions of section 6 with respect to the crop of 1935 have been complied with, and (3) that in case the Secretary has exercised his privilege under section 19, the planted acreage in the crop year 1936 does not exceed the acreage as provided for in section 6. This payment shall be made as soon as practicable after March 1, 1936, if the proof required above has been submitted.

17. *1934, 1935 crop deficiency payments.*—If the amounts of sugarcane produced and delivered from this farm in the crop year(s) 1934 and/or 1935 is less in either year than the base production for this farm due to the bona fide abandonment after planting, of acreage because of conditions not within the control of the producer affecting the whole or a substantial part of the parish, then there shall be made a deficiency payment of one dollar ($1) per ton for each ton (and proportionately for each fraction of a ton computed to the nearest tenth), of sugarcane which, as determined by the Secretary, would have been harvested upon the abandoned acres, but such payment shall be made on no greater tonnage than the amount by which the actual production from this farm is less than the production allotment for this farm or the production which the Secretary determines would have been produced but for the abandonment, whichever is less. In the event an abandonment of acreage occurs as a result of freezing after November 1 of the crop year and during the harvest period, such payment shall be at the rate of $1.50 per ton. The deficiency payments shall be made only after proof, satisfactory to the Secretary, has been submitted to the Secretary that the producer cultivated said sugarcane in the usual manner and performed all other work required in the production of a sugarcane crop up to the time of abandonment. The 1934 payment shall be made as soon as practicable after December 1, 1934, and the 1935 payment as soon as practicable after December 1, 1935, if the proof required above has been submitted.

18. *Deduction of administrative expense.*—From the amount payable hereunder by the Secretary to the producer on account of the final crop payment and/or crop deficiency payment of any year, the Secretary shall deduct the prorata share per ton of all administrative expenses of the Parish Sugarcane Production Control Association for that crop year.

PART III. FURTHER PERFORMANCE BY PRODUCER

19. *Secretary's privilege to extend contract.*—The Secretary shall have the privilege of extending the contract to the 1936 crop year. Such privilege may be exercised by notice thereof in writing mailed by the Secretary of the above address prior to August 1, 1935. In the event that the Secretary exercises such privilege, the terms and conditions of this contract shall apply with the same force and effect in 1936 as in 1935, except as provided in section 20.

20. *Payments under extended contracts.*—In the event that the Secretary exercises his privilege under section 19, the producer shall receive two crop payments and/or crop deficiency payment in the same manner and subject to the same conditions as provided with respect to the 1935 crop, the amount and time of all such payments, however, to be determined by the Secretary. These payments shall be in amounts, which, added to the amount equal to a fair price for sugarcane to be determined by the Secretary, shall result in a price equal to the parity price per ton of sugarcane as determined by the Secretary in accordance with section 2 (1) of the act for each ton (and proportionately for each fraction of a ton computed to the nearest tenth) produced on and delivered from this farm in that crop year, less the pro rata share per ton of the administrative expenses for that crop year, of the Parish Sugarcane Production Control Association. The amount of such payments shall be such as will result in the price per ton of sugarcane received by the producer equalling the parity price per ton of sugarcane established by the Secretary less the pro rata share per ton of the administrative expense of the Parish Sugarcane Production Control Association.

21. *Payment to producer.*—All payments under this contract shall be paid to the producer except as provided under this section and sections 22 and 23. In the event of the contingencies listed below in paragraphs (*a*), (*b*), and (*c*) of this section, payments which have accrued at the time of such contingency shall or may be paid as therein provided. A payment will be deemed to have accrued if at the time of the happening of such contingency the producer has performed the conditions precedent, except requirements of proof, to such payment.

(*a*) *Death or disappearance.*—In the case of death or disappearance to the following person or persons jointly named herein below by the producer:

Name of person (s)	*Address (es)*

(*b*) *Incompetency.*—In the case of the incompetency of the producer, to his duly qualified guardian, or, if none has been appointed, to the following person or persons jointly named herein below by the producer:

Name of person (s)	*Address (es)*

(*c*) *Insolvency, etc.*—In case the producer is involved in insolvency, bankruptcy, garnishment, attachment, or execution proceedings, or has voluntarily or involuntarily abandoned his farm, the Secretary may terminate the contract and all payments due thereunder. Thereafter he may, in his discretion, pay to the producer, or apply for his benefit, payments which have accrued.

When the Secretary has determined the existence or nonexistence of a circumstance in the event of which payment is to be made to a designated person and has paid, in accordance with such determination, to the producer or to the designated person, the obligation of the Secretary with respect to the payment so made shall be discharged thereby and neither the producer, the designated party, nor any other person shall have any right of action against the Secretary or the United States of America with respect thereto.

Payment shall not be made to the producer or to the person who succeeds him in the control of this farm unless he planted, produced, or harvested the crop as to which the payment is to be made, or in the case of a deficiency payment, was in control of this farm during the period when planting, producing, or harvesting normally takes place, or who has or had a share interest in such crop as landlord or as share-tenant, and/or share-cropper. But a person who succeeds the producer in the control of this farm shall not be entitled to a payment which has accrued and is payable under this section to the producer or a designated person.

PART IV. PARTICIPATION IN PAYMENTS

22. *Share-tenant and landlord.*—If the producer is a share-tenant, payments shall be made to the producer and landlord according to their respective interests in the crop as determined by their rental agreement. For the purpose of making such payments the producer shall set forth below the names of all his landlords with their respective interests in the crop, and have each such landlord execute below, his agreement to such division. The Secretary shall make payments to the producer and the landlords according as their interest shall so appear.

NAME OF LANDLORD(S)	ADDRESS(ES)	PERCENTAGE SHARE OF CROP	AMOUNT OF ADVANCE 1934 PAYMENT
			$
Total payment to Landlord(s)			$

(THE FOLLOWING FORM OF SIGNATURE IS TO BE USED WHERE THIS SECTION APPLIES)

WITNESS(ES) SIGNATURE(S)	LANDLORD(S) SIGNATURE(S)

In the event any such interest changes, the producer shall execute and submit to the Secretary a form, to be supplied by the Secretary, containing information which will indicate the persons to whom payment shall thereafter be made under this contract.

23. *Payment where share-tenants or share-croppers.*—In the event that sugarcane is or was produced in any year with the aid of share-tenants and/or share-croppers, payments for such year shall be paid to the producer and the share-tenants and/or share-croppers according to their respective interests in the crop as determined by their respective rental agreements. For the purpose of making such payments, the producer shall set forth below the names of all his share-tenants and/or share-croppers with their respective interests in the crop, and shall have each such share-tenant and/or share-cropper execute below his agreement to such division. The Secretary shall make payments to the producer and the share-tenants and/or share-croppers according as their interests shall so appear.

NAME OF SHARE-TENANT(S) OR SHARE-CROPPER(S)	ADDRESS(ES)	PERCENTAGE SHARE OF CROP	AMOUNT OF ADVANCE 1934 PAYMENT
Total payment to share-tenant(s) and/or share-cropper(s)			$

(THE FOLLOWING FORM OF SIGNATURE IS TO BE USED WHERE THIS SECTION APPLIES)

WITNESS(ES) SIGNATURE(S)	SHARE-TENANT(S) OR SHARE-CROPPER(S) SIGNATURE(S)

PAYMENT TO PRODUCER(S)	PERCENTAGE SHARE OF CROP	AMOUNT OF ADVANCE 1934 PAYMENT

In the event any such interest changes, the producer shall execute and submit to the Secretary a form, to be supplied by the Secretary, containing information which will indicate the persons to whom payment shall thereafter be made under this contract.

PART V. GENERAL

24. *Representation of control.*—The producer represents that he has absolute right to control the use of this farm during the period of the contract except that if he does not have the right to control the use of this farm for the 1936 crop, he shall secure from any person or persons having such control an execution of the agreement herein below set forth entitled "Agreement for 1936 Crop."

25. *Membership in control association.*—The producer hereby applies for membership in the Parish Sugarcane Production Control Association in the above-named parish.

26. *Secretary and agents.*—The term "Secretary" wherever used in this contract shall be deemed to include the Secretary, or the Acting Secretary of Agriculture. The Secretary may by designation in writing name any person or persons, including officers or employees of the Government or Bureaus, Divisions or Sections of the Department of Agriculture, to act as his agents or agencies in connection with any of the provisions of this contract.

In Witness Whereof, I have executed this contract.

Witness..... (Producer).....

Date..... (Producer must sign exactly as name appears on p. 1)

AGREEMENT FOR 1936 CROP

27. The undersigned having the right to control the use of this farm for the 1936 crop hereby agrees that he or they or his or their assigns or lessees will undertake the performance of the contract hereinbefore set forth during such period.

Witness(es)	*Person(s)*
_____	_____
_____	_____
_____	_____
_____	_____

Date _____, 193

ACCEPTANCE BY SECRETARY

In consideration of and in reliance upon the representations and agreements above set forth, this offer is hereby accepted.

HENRY A. WALLACE,
Secretary of Agriculture.
(For and on behalf of the United States.)
By _____
(Authorized agent)

PARISH SUGARCANE PRODUCTION CONTROL COMMITTEE CERTIFICATION

We hereby certify, that we have considered the foregoing representations of the producer, the reports of certifications of the local Sugarcane Production Control Committee, if any, evidence submitted by the producer which in our opinions was adequate and certify that to the best of our knowledge and belief the 1934 acreage for sugar, and production data shown in section 2 are correct and recommend that the Secretary enter into a Sugarcane Production Adjustment Contract with the producer and approve the advance 1934 payment due under the terms of the contract. We have determined for this farm the acreage and production figures, subject to such corrections and adjustment as the Secretary may find necessary:

1. Acres of sugarcane harvested, or to be harvested in 1934 (to be filled in where producer grew sugarcane only in 1934) _____ Acres
2. Base sugarcane production (options 1, 2, 3, 4, or 5)[1] _____ Tons

Approved by Parish Sugarcane Production Control Committee:

Date_____, 193 (*Signed*) _____
Checked by county agent or representative of Sugar Section, Agricultural Adjustment Administration. _____
_____
_____

Date_____, 193__ *Parish Sugarcane Production*
By_____ *Control Committee*

COMPUTATION OF PAYMENT

Advance 1934 payment, base production of farm_____ tons at $1 per ton $_____

RECAPITULATION OF PAYMENTS

Total advance 1934 payment to landlord(s)_____ $_____
Total advance 1934 payment to share-tenant(s) and/or sharecropper(s)_____ $_____
Total advance 1934 payment to producer_____ $_____
Total advance 1934 payment due on this contract_____ $_____

CERTIFICATE OF ADMINISTRATIVE OFFICER

Administratively approved for advance 1934 payment in the amount of $_____

Date_____, 193

By_____
(Administrative Officer Payment Unit, Sugar Section)

[1] Strike out options not applicable.

GENERAL ACCOUNTING OFFICE PREAUDIT

Certified for payment in the amount of $_____
J. R. McCARL, *Comptroller General of the United States.*
Date_____
By_____

CERTIFICATE OF COMPTROLLER

Audited and approved for Advance 1934 payment in the amount of $_____
JOHN B. PAYNE, *Comptroller.*
Date_____, 193
By_____

Paid by check(s) drawn on the Treasury of the United States in favor of payee(s) named below

DATE	NUMBER	AMOUNT	PAYEES

(ANY INTENTIONAL MISREPRESENTATION OF FACTS MADE IN THIS CONTRACT FOR THE PURPOSE OF DEFRAUDING THE UNITED STATES WILL BE SUBJECT TO THE CRIMINAL PROVISIONS OF THE UNITED STATES CODE)

Senator OVERTON. How much in dollars and cents was Louisiana penalized, do you know?

Mr. BOURG. One million five hundred thousand would be a round figure, although in the cases where there were overpayments I must state that the refunds were not demanded, but the fact remains that they did not receive the money.

With regard to the tax on backstrap molasses for the use in distillation of alcohol, we must enter a protest against the farmers of Louisiana paying taxes for the benefit of the grain farmers of the Middle West. We would not object to a tax or to a tariff on blackstrap molasses from a foreign country, which goes into competition, but we do not subscribe to the theory and we must object to any provision which creates a competitive disadvantage against the sugarcane farmer for the benefit of any other farmer, as friendly as we are with all other farmers.

There is also the question of the abatement of the tax on unsold sugars at the time that the tax goes out. We do not feel that the unsold sugar, if the tax is terminated, should be made to pay a tax, because then the refiners who bring in raw sugar would not have to pay a tax, while those of us in the beet area and in the cane area who make direct consumption sugar, and the tax being on manufactured sugar, would be penalized, and again we would be placed at a competitive disadvantage.

There is also a very slight omission in section 206, which says that the quota regulations on sugar now in existence shall be continued until new quotas are made for 1937, but it does not say anything

about the continuation of the sirup regulations. That may be just a technicality, of course, but it is very important because those sirup importations do affect us very greatly, and I do think that by a reference to the sirup regulations that would be corrected.

We do want legislation at this session, and we are willing to accept the Jones bill.

Senator BROWN. Florida has made a strong appeal for an increase in quota, not upon past performance, but on her capacity to expand production. Let me ask you whether Louisiana can expand her production away beyond the quota contemplated by this bill?

Mr. BOURG. According to the Crop Reporting Board, we have planted now, and there is about to be harvested 240,000 acres of sugarcane for sugar. In 1911 the official records showed that we had planted and harvested 310,000, so obviously we are well below our previous performance and experience in acreage.

As to sugar cane production, we have produced 5,800,000 tons and we only produced less than 5,000,000 last year, so we are under our production in sugarcane, and, of course, as Senator Overton has said, in the case of sugar we produced 386,000 in 1936, and according to the figures we would get less quota than we produced last year, although every estimate that I have from experienced sugar planters, and especially factory owners, who have to buy cane in advance, they estimate that barring a severe freeze at the early part of the season we will produce between 400,000 and 450,000 tons of sugar. So it is apparent, based upon the argument that I just made, that the individual growers are entitled to whatever proportionate increase there is given to any other farmer in any other area, and certainly Louisiana has the capacity, not to expand but to be restored to its former production in acreage of sugarcane sugar, and to restore to operation the sugar mills, 11 of which are now capable of rehabilitation and 5 additionally have only recently been rehabilitated by Farm Credit Administration money, giving to farmers in Louisiana the right to mill their cane cooperatively. Evidently the Department of Agriculture scientists believe in sugarcane culture, and the Resettlement Administration has given to its growers the sugarcane varieties to operate as the major cash crop, so they must believe in sugarcane culture as the best cash crop of Louisiana, and the Farm Credit Administration has put millions of dollars in for five farmers' cooperatives, and there is room for eleven more.

The CHAIRMAN. Thank you very much.

(The statement submitted by Mr. Bourg in connection with his foregoing testimony, is as follows:)

The Louisiana sugar industry is willing to accept the Jones bill as it was passed in the House of Representatives. We are not entirely satisfied with the provisions of the bill, and, in fact, we actually consider the quota provisions as unduly restrictive. Nevertheless, there are three principal reasons why we, at this time, endorse the Jones bill and ask your committee to report it favorably.

1. The Jones bill represents a series of compromises and the House Committee on Agriculture reported it unanimously.

2. It is a bill which is limited to a term of 3 years and is, therefore, temporary in its provisions.

3. The adjournment of Congress is so close at hand that we are hesitant to inject further controversies into this legislation, for the simple reason that we would prefer to have the Jones bill rather than no legislation at all.

The Louisiana sugar industry still advocates the unlimited production of sugar in the Continental United States. We cannot subscribe to the program

of restriction, as long as we have farms with previous experience in sugarcane culture that are not being used for profitable farming and as long as we have sugar factories which are closed and are not operating. At the present time we are not asking for expansion. Louisiana has already harvested in 1 year as much as 310,000 acres in sugarcane for the production of sugar. As recently as 1923 there were 124 sugar factories operating in southern Louisiana. According to the official reports of the Crop Reporting Board there were 227,000 acres harvested for sugar in 1936 and the Board estimates there will be 240,000 acres harvested for sugar in 1937. Preparations are being made and are now under way for the operation of 70 sugar factories during the 1937 harvest, of which 5 have been rehabilitated in recent years through finances obtained through the Farm Credit Administration and these factories are being operated as farming cooperatives.

With regard to production, Louisiana has twice before produced more than 400,000 tons of sugar, raw value, and the estimates coming from sugar planters who are now making advance preparations for the harvest, is that the 1937 production will be between 400,000 and 450,000 tons.

It should be emphasized that the increase in the Louisiana production of sugar in the past several years has been almost entirely due to new and improved varieties of sugarcane seed, which not only have improved the yield of sugarcane per acre but have also shown very considerable increases in the number of pounds of sugar extracted from a ton of cane. In fact, while the yield per acre averages about 15 tons for several years, the yield per acre in 1935 was 17 tons and in 1936 was 21 tons.

We naturally do not recognize the quota fixed for the continental cane area as adequate in any sense because all estimates indicate that the production of Louisiana and Florida combined in 1937 will be in the neighborhood of 500,000 tons. Obviously, a quota of 420,000 tons is insufficient.

The Department of Agriculture in all of its agricultural-adjustment programs has consistently based these programs on the past performances or historical background of the farm. In this manner the rights of the individual farmer have been protected at least in proportion to his production as compared to the total production in the past. Where there is crop control or restriction of production it necessarily becomes the duty of Congress and of the Department of Agriculture to give full consideration and protection to the individual farmers who have been producing the commodity in question.

This is particularly true in the case of sugarcane and sugar beets for the reason that the production in continental United States is less than one-third of the home consumption. It would naturally follow that farmers would be encouraged to go into the production of sugarcane and sugar beets if they would not have to show some previous record or if new farmers were not restricted to a reasonable minimum production. A case in direct point has come into being very recently in Louisiana through the activities of the Resettlement Administration which is now a branch of the Department of Agriculture. Official records indicate that more than 15,000 acres have been planted in sugarcane in 21 different parishes of Louisiana for harvesting in 1937. Additionally, it is reported that the Resettlement Administration is now preparing to plant about double this acreage in the fall of 1937 for harvesting in 1938. These projects represent small farmers and they represent a decision on the part of Resettlement experts to the effect that sugarcane is the best cash crop for southern Louisiana. Naturally, if the funds of the Federal Government are being used for the purpose of setting these farmers up to an efficient and profitable farming operation, some room must be made for them in the program proposed by the Jones bill. Thus, unless substantial increases are made in the quotas of the continental United States, those farmers who have carried on the industry throughout the depression years will be forced out of their proportionate production.

In a civic spirit and in a broad view of the farming communities involved, there can be no successful quarrel with the decision of the Department of Agriculture, through its Resettlement Administrators, to require the farmers to plant sugarcane as the most profitable cash crop for the area, but we submit that if the Department has so decided, it should consistently by agreeable to and Congress will certainly provide for improved quotas to take care of these new projects, while at the same time maintaining the rights and preferences due to the farmers with previous experience and recent record of performance.

It is also appropriate to suggest that since the increase in production of sugar has been almost exclusively the result of new and improved varieties of sugarcane furnished by the scientists of the Department of Agriculture and

of the Louisiana State Experiment Station, we have every reason to expect that this magnificent contribution to scientific and efficient farming will not be nullified or destroyed by harsh restrictions upon the production of a nonsurplus crop.

In the interest of harmony and prompt action, we are willing to support the Jones bill as passed by the House. However, we do want to suggest to your committee that in addition to—

(1) An adequate quota for the continental cane area, equal at least to present production, the following other amendments should be considered:

(2) We are unable to understand the effect of the yardstick for price control contained in section 201 and the statistics of the Bureau of Agricultural Economics indicate that this yardstick would have made the production of sugar beets and sugarcane unprofitable during the past 10 years, on which cost figures have been published by the Bureau. Accordingly we would feel safer if the measure of the price of sugar would be on the basis of the price of other foods. We suggest that the farmer would like to have a Department of Agriculture official explain what it means and how it will be applied.

(3) Under the Jones-Costigan Act Louisiana suffered severe penalties because allotments were made to farmers on the basis of tonnage. The result was that when the new varieties of sugarcane produced well above the average of the past several years, the farmers, through no fault of their own, became subject to penalty. This was tantamount to placing a penalty on scientific farming. It would be more practical and satisfactory if the bill which states specifically that allotments to beet and cane farmers would be made in terms of acreage. The farmer is penalized by one section of the Department of Agriculture for adopting the scientific methods and practices recommended by another bureau of the same Department of Agriculture.

(4) In the alternative, we would like to suggest that the benefit payment should be made to farmers upon the basis of the final quota instead of the initial quota. In this way the farmers would receive the full benefit of any increase in consumption in which the distributor of sugar would be allowed to participate. It is contradictory to collect a tax on sugar and permit that sugar to be distributed under the quota, and then to turn around and penalize the farmer for producing the sugar which is taxed and distributed under the law. That actually happened under the Jones-Costigan Act and we appeal to you to avoid placing the farmer in the same difficulty and to protect him from the loss of these benefit payments.

(5) We are unable to subscribe to the legislative principle that the grain farmers of the United States should be given a competitive advantage at the expense of the sugarcane farmers of Louisiana. Accordingly we are opposed to a tax on blackstrap molasses which is used for the distillation of alcohol. If any tax is levied on molasses for the distillation of alcohol, it should be applied to molasses imported from foreign countries, not to domestic production.

(6) Section 206 continues the sugar quotas for 1937 in accordance with regulations now in effect, but it does not continue sirup quotas in accordance with regulations now in effect, hence we recommend that reference be made specifically to General Sirup Quota Regulations, series 2, no. 1, so that there will be no lapse in this respect.

(7) Tax abatement on unsold sugar, when tax terminates.

We ask for the continuation of the sugar quota legislation by Congress on a fair basis to all.

(Whereupon, at 12:15 p. m., the committee adjourned until Monday, Aug. 9, 1937, at 9:30 a. m.)

8467—37——5

SUGAR

MONDAY, AUGUST 9, 1937

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

The committee met, pursuant to adjournment, at 9:30 a. m., in room 312, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. Harold J. Burke, New York City.

STATEMENT OF HAROLD J. BURKE, OF NEW YORK CITY, REPRESENTING THE SUGAR WORKERS CONFERENCE

The CHAIRMAN. You represent the Sugar Workers Conference?

Mr. BURKE. Yes, sir.

The CHAIRMAN. I understood that you wanted to put into the record the views of the Sugar Workers Conference on this bill.

Mr. BURKE. Yes, sir; I do.

The CHAIRMAN. All right.

Mr. BURKE. In view of your haste to complete hearings on this, we would like to submit a statement giving the views of the Sugar Workers Conference locals affiliated with the American Federation of Labor.

The CHAIRMAN. All right, Mr. Burke.

Senator VANDENBERG. What is the general purport of your advocacy?

Mr. BURKE. The statement contains a letter written by Mr. Green of the Federation of Labor, Mr. Meaney of the State Federation of Labor of New York, and Mr. Whitney, of the Railroad Brotherhood, as to the number of men affected by the importation of foreign sugars.

Senator VANDENBERG. You are in favor of the limitation as written?

Mr. BURKE. Yes, sir.

(The statement presented by Mr. Burke is as follows:)

Members of organized labor working in the sugar industry are requesting that your committee report H. R. 7667 as it was passed by the House of Representatives on August 6.

Section 207 of the House bill should remain intact. This section is the one part of the bill which is of extreme importance to American workers, because it continues control on the importation of refined white sugar from Cuba, Hawaii, and Puerto Rico. In order that you may know why we think this control is necessary and just we offer the following facts:

(1) During the last 10 years the number of workers in the continental cane-sugar refineries has decreased from 20,000 to 26,000. This condition has

been brought about almost solely because of the importation of refined white sugar. While the adoption of section 207 will not cause the reemployment of sugar workers now unemployed, it will protect the jobs of those working in the industry.

(2) Labor at home refineries is paid from $5 to $17 per day, and in the sugar business members of the various crafts have been engaged in their particular line of work for a great many years. The majority of the members of our union have been employed in their respective capacities from 15 to 50 years.

In the offshore areas sugar workers are paid from less than $1 per day in Cuba and Puerto Rico, to $10.92 per week (average) in Hawaii.

(3) The total annual pay roll of labor in this country in the home cane refineries is $25,000,000. We hold it is unsound during the present employment emergency to further reduce and eventually wipe out this pay roll in favor of the cheap tropical labor of the offshore areas.

(4) For transporting about 94,000 carloads of refined sugar and other supplies during the last year, American railroads received over $10,000,000 for their services. Of this amount, over $4,300,000 was used to pay workers on American railroads, and Mr. A. F. Whitney, president of the Brotherhood of Railroad Trainmen, on March 31 of this year, instructed Mr. J. A. Farquharson, national legislative representative of the Brotherhood of Railway Trainmen, to support legislation to exclude the importation of refined white sugar. The refined sugar now coming into southeastern Atlantic ports is being hauled for the most part by cheap nonunion trucking firms.

(5) More than 8,000 men were employed 9 months each year handling, weighing, sampling, coopering, and warehousing raw sugar in the ports of New York, Baltimore, Md., and Norfolk, Va., prior to the importation of refined white sugar. All of these men are now unemployed or working on a part-time basis. If they could return to work, they would receive wages ranging from $1 per hour to $17 per day, and indeed it seems to us consistent with the administration's employment policy that importation of refined white sugar be permanently stopped and these citizens again returned to their regular employment.

(6) A very important craft union known as the Lighterage Industry (these men freight raw sugar by water from warehouses and steamship piers to refineries for final processing) has suffered greatly because of the policy adopted by the Government regarding white sugar importation. Two thousand five hundred of these men are now unemployed or on part-time basis. During the World War they were considered one of the highly valuable adjuncts to our Navy and were able to step in as part of our national defense with very little training. This group should be put back to work.

(7) On April 6th of this year Wm. Green, president of the American Federation of Labor, addressed the following letter to Hon. Fred Cummings:

AMERICAN FEDERATION OF LABOR,
Washington, D. C., April 6, 1937.

Hon. FRED CUMMINGS,
Chairman, Subcommittee on Agriculture,
House of Representatives, Washington, D. C.

DEAR MR. CUMMINGS: Pending before the subcommittee of the Agricultural Committee of which you are chairman is a bill providing for the enactment of the Sugar Act of 1937. This bill is of vital interest to organized American labor, as well as to agriculture. It purports to establish permanent sugar legislation for the United States by means of a quota system and direct cash bounties to sugar beet and sugarcane growers.

As you know, the Tariff Acts of 1922 and 1930 did not protect labor connected with the home refining industry, inasmuch as a tariff was not placed upon refined sugar as such. This bill does not remedy that fundamental defect. However, through the mechanism of the quotas on refined sugar, Congress can direct that sugar imported from Cuba be imported in a raw and not in a refined form. This is equitable and in the interest of American labor, inasmuch as it would increase the volume of continental refiners and, in so doing, it would (*a*) give employment to unemployed men who once worked in the home sugar refining industry and (*b*) it would increase the hours of work done by those now engaged in part time in refining and allied industries.

By the terms of the pending legislation, Cuba will be granted an assured volume for her raw sugar in our market through the quota system, and at the

same time she will obtain a preferential price in our market. Surely it is in the public interest that Congress can qualify the preference it would guarantee Cuba by demanding that Cuba restrict her economic activities to that for which she is best suited, that is, the production of raw sugar, in order that American labor may do the refining in the United States. An amendment to the proposed bill in this regard would in nowise be contrary to our good-neighbor policy, inasmuch as it affords Cuba an adequate income.

It is my understanding that, under the proposed bill, there would be a continuation of the limitations placed upon further increase in the importation of sugar in refined form from our insular areas—Hawaii, Puerto Rico, and the Philippine Islands. In no event should these refined quotas be increased.

Very truly yours,

(Signed) W. GREEN,
President, American Federation of Labor.

(8) Section 207 will allow Puerto Rico and Hawaii sugar refiners to continue their previous maximum shipments to the continent, while the refineries where we are employed operate at about 62 percent of capacity. Thus labor in the offshore areas is given special consideration in the matter of refinery work.

Recently Mr. George Meaney, president of the New York Federation of Labor, sent the following telegram to President Franklin D. Roosevelt:

Hon. FRANKLIN D. ROOSEVELT,
Washington, D. C.:

The New York State State Federation of Labor asks your help to pass the Jones sugar bill approved by the House Agricultural Committee. The passage of this bill is vital to the existence of teamsters, longshoremen, lighter captains, tugboat men, railroad marine men, weighters, samplers, and inside refinery workers, both men and women.

GEO. MEANEY, *President.*

Mr. Meaney calls attention to many groups who are dependent in part on the sugar industry. The workers in allied crafts total more than 26,000 men.

In conclusion, Mr. Chairman and gentlemen of the committee, we who work in the sugar business to care for our homes and families, we who seek no more than the opportunity to labor in the trades we know, are earnestly asking that your committee retain section 207 in the pending bill. Its retention means economic security for us—its removal, economic disaster.

The CHAIRMAN. Mr. Ernest Greene.

STATEMENT OF ERNEST GREENE, MANAGER OF OAHU CO. (USUALLY CALLED WAIPAHU PLANTATION), LOCATED AT WAIPAHU, IN THE TERRITORY OF HAWAII, ON BEHALF OF THE SUGAR PRODUCERS OF THAT TERRITORY

The CHAIRMAN. You represent the Hawaiian Sugar Planters Association?

Mr. GREENE. Yes, sir; the sugar producers in the Territory of Hawaii.

The CHAIRMAN. Mr. Greene, you have 15 minutes.

Mr. GREENE. I am Ernest Greene, manager of Oahu Sugar Co., usually called Waipahu Plantation, located at Waipahu in the Territory of Hawaii, and this statement is made on behalf of the sugar producers of that Territory.

Hawaii is an incorporated Territory, an indivisible part of the United States, subject equally with the 48 States to all Federal revenue acts, immigration laws, tariff measures, and labor legislation. The National Labor Relations Act, the Social Security Act, and the wages and hours bill (S. 2475) all apply equally to the Territory of Hawaii and the several States:

We protest against the discrimination against the Territory which is contained in section 207, subsection (a) of the proposed Sugar Act of 1937 (H. R. 7667), which is as follows:

> Not more than twenty-nine thousand six hundred and sixteen short tons, raw value, of the quota for Hawaii for any calendar year may be filled by direct consumption sugar.

This unjust provision should be deleted from the bill. It prohibits the sugar producers of Hawaii from processing their agricultural products before such products enter interstate commerce. No similar restriction is imposed upon any sugar-producing State. Prohibited from processing their raw product at home, the producers will be compelled to sell part of each crop of raw sugar to a closely controlled group of manufacturing refiners on the eastern seaboard. No similar disability is imposed upon the farming producers or processors of any State.

The bill (H. R. 7667) provides uniform treatment among domestic areas in regard to total quotas. The Territory of Hawaii bears its full share of the adjustments in production and marketing which are required under the program of sugar control. The initial quotas under the Jones-Costigan Act required a crop reduction in Hawaii of more than 70,000 tons a year as compared with the 3 preceding years, and official statements have estimated the total reduction for the three years 1935, 1936, and 1937 to be more than 500,000 tons.

Senator VANDENBERG. May I ask you whether or not you did not do enough better with the balance of the crop, so that you are pretty well satisfied with your experience?

Mr. GREENE. Like all sections, all areas, Senator, we recognize the benefits that have come from the quota system. Before I answer your question further, if I may just finish that thread of argument which I wish to convey to you, that in addition to those reductions we also share and share willingly, because it is done proportionately with other domestic areas, in the reduction that is to be made in certain domestic areas in order to provide the increase for the Louisiana-Florida cane area which is included in the bill.

Coming back to the question of the benefit, Hawaii, like every other domestic area, recognizes the benefits which have come from the program of sugar control, but it is our feeling and our belief that discriminatory restrictions on the processing of their sugar by domestic producers have no proper place in that program; do not affect the interests of any other domestic producers, and have no bearing upon the basic principles which underlie that program.

Senator VANDENBERG. I sympathize with your feeling about discrimination, but may I ask you a very practical question, whether you would rather have this bill or no bill, supposing you had to choose between the two?

Mr. GREENE. This bill contains a discrimination which goes to the heart of the principle which is dearer to us in Hawaii than anything else—the principle that we believe that we are entitled to equal treatment with the citizens in other parts of the country. We want to share all the burdens, but we also want to share the benefits, and as long as this bill contains a discrimination such as there is in section 207 (a) we would prefer no bill, with the hardships that that would bring to us. We cannot weigh principle against dollars and cents. If I may continue with what I had in mind, there has been a

great deal said about the effect upon labor if Hawaii is permitted to refine such part as it may wish to of its agricultural produce at home. The greater part of the sugar produced in Hawaii is now and has been for many years refined in the San Francisco Bay district. There the producers of Hawaii have a large cooperatively owned refinery which deals with the larger part of the sugar that is refined in that area. A small amount is refined in another refinery in San Francisco. In recent years some raw sugar from Hawaii has come to the refiners on the eastern seaboard. The greatest amount that has come has been about 300,000 tons in a year. No such raw sugar came to the eastern refiners before 1929, and it is only since 1932 that it has approached this figure of 300,000 tons of which I have mentioned.

Even if all of that 300,000 tons were to be refined in Hawaii and the refineries in the five seaports that would be affected were to have their annual melt reduced by that amount, it might reduce their number of employees some 300 men over all those refiners.

Some people have been led to believe that if Hawaii were to refine that part of its crop at home, great numbers of men in the city of Boston would be forced out of employment and would be walking the streets and going on relief. As a matter of fact it is only since 1932 that any Hawaiian raw sugar has gone to the refineries in the port of Boston, and in the 5 years in which it has been going there the average has been a little less than 30,000 tons a year.

Senator CLARK. Let me ask you, Mr. Greene, how many refineries are there at present?

Mr. GREENE. There are about 10 or 11 altogether.

Senator CLARK. Are they not all owned and controlled practically by two outfits?

Mr. GREENE. It is my belief they are very closely controlled and operated, Senator.

Senator KING. So they have got a monopoly of the refining in the United States practically?

Mr. GREENE. They have; yes, sir.

Senator GUFFEY. How many interests control the cane sugar from Hawaii?

Mr. GREENE. There are 39 sugar producers there—farming enterprises.

Senator GUFFEY. Are they not owned by five processors, directly or indirectly?

Mr. GREENE. No, sir; they are owned by 15,000 stockholders.

Senator GUFFEY. These five control all the matters of policy?

Mr. GREENE. No, sir; that is not correct. I beg to differ with you.

Senator GUFFEY. I have heard that statement made, and I wanted to get the facts.

Mr. GREENE. That is not the fact.

Senator GUFFEY. All right; go ahead with your testimony.

Mr. GREENE. Now, as compared to the statements as to the small number of men who might or might not be affected as to their employment in eastern refineries, we have this matter of principle. We have the right of the Territory of Hawaii to treatment on an equal basis with the treatment accorded the 48 States. That is a right which goes much deeper than matters pertaining to sugar or the economics of sugar. It affects the entire life of the Territory. It

affects the civic and economic interests of every man, woman, and child in that Territory, and if such discrimination takes firm root in the laws of our country, it is indeed difficult to see what the final outcome may be, or how it may affect generations that are yet to come in that Territory.

Senator KING. So far as I am concerned, I cannot quite understand by what reasoning, constitutional or otherwise, the United States should deny the people of Hawaii the right to refine their own sugar which the United States permits them to grow.

Mr. GREENE. Thank you, Senator.

Senator KING. Any more than I would recognize the right of the United States to say to the people of Utah that they may not refine their own beets there in Salt Lake City or in contiguous cities.

Mr. GREENE. Thank you, Senator.

Some advocates of this discrimination have based their case on distorted and incorrect statements in regard to labor conditions in the Territory. I will not deal with that, further than to say that no member of the Congress who has ever visited Hawaii has to my knowledge joined in any such attack, and I think that is highly significant.

Senator VANDENBERG. I agree to that.

Mr. GREENE. Thank you, Senator.

Senator KING. I read the statement of President Roosevelt which he made a few years ago when he visited the islands, and he complimented the labor situation as well as the general conditions of the islands.

Mr. GREENE. Yes, sir; he did. The people who have visited the Territory know the true facts. They know that the percentage of native born in our population is higher than in many of the States. They know that our farm wages compare favorably with the published statistics for any parts of the country. They know that workers in both production and processing of sugar enjoy the security that comes from year-round employment, good wages, good homes, good medical service, and many other things which go to make up the security and well-being of the people who labor.

We urge, Mr. Chairman, that this discriminatory provision be deleted from the bill.

The CHAIRMAN. Thank you, very much.

Senator KING. I would like to ask one question. You may have discussed that before I came in. If you ship 30,000 tons, or any considerable quantity of sugar to the eastern refiners do they not have the control of that, and fix prices largely?

Mr. GREENE. It compels us to sell, Senator King.

Senator KING. And they become your vendors, they become your purchasers?

Mr. GREENE. And from my knowledge of the marketing situation it not only prohibits us from the processing, but by prohibiting us from the processing, Senator, it compels us to go to virtually one buyer to market our agricultural products.

Senator GEORGE. What is your refined sugar in the islands? How much is it? What is the maximum?

Mr. GREENE. The maximum permitted is 29,616 tons.

Senator GEORGE. What has been your average?

Mr. GREENE. That is the amount that was refined before the passage of the act, Senator.

Senator GEORGE. So you are not being cut down, actually?

Mr. GREENE. We are not being cut down, but we are in this bill being debarred from the freedom enjoyed by other producers in regard to processing their legal quantities of sugar under their total quotas and we are thrown into the hands of a single buyer for some part of our crop, roughly a third, and we are placed under those disabilities which are not clearly perceived at first thought, merely because we did not process more before.

Senator GEORGE. How many refiners have you got in the islands?

Mr. GREENE. There is one.

Senator GEORGE. Only one?

Mr. GREENE. One company there refining sugar.

Senator GEORGE. And you are complaining about a monopoly here, but you have only got one there?

Mr. GREENE. That refinery was started a good many years ago, and they sell some of their refined sugar in Hawaii, and some is marketed in other parts of the United States. I cannot see that they are operating there as a monopoly.

If this discrimination is removed and we are given the freedom which we should have, I do not know whether that one refinery will increase, or some other will be built. It is a matter of right to do it, Senator, and I can see no evidence of monopoly, knowing our situation as intimately as I do at home, in the fact that we only have one at present.

The CHAIRMAN. Thank you very much.

Senator BROWN. I would like to ask a question.

Mr. GREENE. Yes.

Senator BROWN. Mr. Greene, of course, in the manufacture of sugar from the sugarcane to refined sugar, you in Hawaii do a considerable part of the processing, do you not?

Mr. GREENE. We do the primary processing in making raw sugar; yes, sir.

Senator BROWN. You make raw sugar?

Mr. GREENE. Yes, sir.

Senator BROWN. Then you ship that raw sugar to your own plant in San Francisco?

Mr. GREENE. Some part; about 60 percent of our crop.

Senator BROWN. Well, more than half?

Mr. GREENE. About 60 percent of our crop.

Senator BROWN. About 60 percent? And you are permitted under the Jones-Costigan Act and this act to have approximately 25 percent of the American market, are you not?

Mr. GREENE. Our share with other domestic producers is about 25 percent of the share of domestic producers, Senator. That is not 25 percent of the American market.

Senator BROWN. Of all sugar produced by American producers, you have about one-quarter?

Mr. GREENE. About that; yes, sir.

Senator BROWN. Was your company one of the signatories to the Sugar Stabilization Agreement of 1933?

Mr. GREENE. That stabilization agreement would have had to come back to be confirmed by individual companies, and we did not sign the stabilization agreement.

Senator BROWN. The representatives of Hawaiian sugar processors agreed to it, did they not?

Mr. GREENE. Representatives agreed to it; yes, sir.

Senator BROWN. And that restricted your so-called direct-consumption sugar the same amount, in round figures, as it is restricted to in this bill?

Mr. GREENE. Senator, if I may answer the question further than a yes or no——

Senator BROWN. Surely.

Mr. GREENE. That was a voluntary, temporary agreement entered into under the stress of great emergency, in which case a man can temporarily agree as to certain of his rights, and which is quite different in our minds from having a disability, a prohibition as to such rights imposed by law.

Senator BROWN. The entire idea back of it was practically the stabilization of the sugar business as it then existed. There was a good deal of talk, was there not, about factory capacity as being the limit upon production within the continental and offshore areas?

Mr. GREENE. There was a good deal of talk about many things, Senator. I would have to refresh my recollection. I was not present at the stabilization-agreement conferences.

Senator BROWN. The general purpose was to maintain the sugar industry as it then existed; was not that the general purpose?

Mr. GREENE. The general purpose was, as I understand it, to stabilize it.

Senator BROWN. To stabilize the business. Now you say that you are restricted unduly in comparison with the continental States. Do you know that in my State of Michigan we have three sugar refineries that have remained closed because of the Jones-Costigan Act?

Mr. GREENE. I have heard that statement made, Senator, but that applies in the State of Michigan only to the total quota. The quota can be produced in the form in which the producers themselves or their local processors desire to produce it.

We have limitations also which have cut us down radically in regard to our total quota.

Senator BROWN. You are complaining about this restriction. I think the sugar refiners in Michigan and the sugar refiners in northeastern Ohio—the largest sugar-beet plant, I think, in the Middle West is at Toledo, Ohio, and I think it is generally conceded to be the finest plant in the Middle West, Michigan Sugar Co.'s plant, and it is not operating and has not operated since the Jones-Costigan Act went into effect, because of the restriction upon their quota.

Mr. GREENE. Their total quota.

Senator BROWN. Their total quota. Now, it is difficult for me to see, when everyone in the business is asked to restrict, why you should ask for something, a right that you did not exercise when you had that right. You had that right previous to the enactment of the law. You did not want refineries then. Now, this is a restrictive measure. It restricts all of us. It restricts the farmer, and it restricts the refiner insofar as he refines his own product. Now, it is difficult for me to follow your reasoning that there should

be no restriction whatsoever upon your rights to do a thing which you did not do when you had the right to do it.

Mr. GREENE. The restriction of which you speak as applying in the State of Michigan and other States is the same restriction which we have, Senator, in regard to our total quota, which has caused us to reduce our crops materially, leaving the land lying idle, not using our facilities to their maximum, just as occurred in other States, and those things are all a matter of record.

We make no complaint about those restrictions, which bear on us proportionately with the sugar-producing States, but our complaint, Senator, is that in addition to complying gladly with all those restrictions, in the public interest, we are singled out for an additional restriction which is not placed upon any State or its producers or processors, in that, bearing those restrictions which the State of Michigan and the other sugar-producing States had, we are given an additional restriction and prohibition which is not placed upon any States, and it is that additional restriction of which we complain.

Senator BROWN. But, of course, the bill all the way through is a restrictive bill. The farmer is restricted. The refiner is restricted, and I see no reason why you should object to this restriction. You are doing well, and I am quite amazed at the answer that you made to the question of my colleague, that you do not want this bill at all if section 207 is in it as now written.

Mr. GREENE. Yes, sir; that is correct.

The CHAIRMAN. Well, we thank you for your view, Mr. Greene.

Mr. Ellsworth Bunker, representing the United States Cane Sugar Refiners' Association. Mr. Bunker, if you can finish in 20 minutes, we will be happy.

Mr. BUNKER. I will endeavor to do that, Senator.

STATEMENT OF ELLSWORTH BUNKER, CHAIRMAN OF THE UNITED STATES CANE SUGAR REFINERS' ASSOCIATION

Mr. BUNKER. Mr. Chairman and Senator, the Jones compromise sugar bill, H. R. 7667, which passed the House by 165 to 55, had received virtually unanimous approval by the House Committee on Agriculture, after long consideration. Assuming the quota system is to be continued, we favor the bill.

In substance it reenacts the Jones-Costigan Sugar Act of 1934, which was carefully studied at that time by the Senate Finance Committee.

The 1934 act sought its objectives through a quota system, restricting production, processing, and marketing. Among its quota principles is limitation of the entry into continental United States of refined sugar from Hawaii, Puerto Rico, Virgin Islands, the Philippines, and Cuba. Chairman Jones of the House Agriculture Committee said in debate in April 1934:

> Those provisions were inserted in the bill in order to deal fairly with the American refining industry.

The Government, in its brief defending the Jones-Costigan Act against an attack by the Hawaiian sugar interests said [reading]:

> It is reasonable for Congress to enact legislation maintaining the status quo so as to permit no further immediate inroads upon continental refiners.

In his message to Congress on March 1, 1937, the President endorsed all of the principles of the 1934 act, without exception, when he said [reading]:

> The Jones-Costigan Act has been useful and effective, and it is my belief that its principles should again be made effective. I therefore recommend to the Congress the enactment of the sugar-quota system, and its necessary complements, which will restore the operation of the principles on which the Jones-Costigan Act was based. In order to accomplish this purpose adequate safeguards would be required to protect the interests of each group concerned.

The quota system limits the freedom of all sugar groups and protects them within those limitations. The system denies the continental cane-sugar refining industry the fundamental right of obtaining raw sugar wherever and in what amounts it chooses. It is restricted to quota raw material from the specific quota areas, chiefly the islands. This restriction on the refiners brings prosperity to the raw-sugar plantations by enhancing raw-sugar prices. These higher raw-sugar prices are supplemented by Federal cash bounties. Consequently, an integral principle of any just quota system is that the raw-sugar producers shall not deprive the continental refining industry of their raw material.

Without that principle, the quota system would be an open invitation by the Congress to the subsidized sugar industries of Cuba, Hawaii, and Puerto Rico to starve the unsubsidized and unprotected continental refining industry out of existence. That would not be stabilization but confiscation. It would be a preference to those islands. It would do gross injustice to American labor not only to the continental refining industry but in the railroads and other industries which furnish it with transportation, supplies, and services. It would destroy the savings of thousands of investors and the livelihood of thousands of workers.

Section 207 of the present Jones bill reenacts the Jones-Costigan Act principles regarding refined cane sugar. It is identical in substance with the similar provision of 1934, except only that Cuba's allotment has been changed from 22 percent of Cuba's total quota to 375,000 short tons raw value, a reduction of about 48,000 tons from the present 1937 figure.

Regarding Cuba's direct-consumption sugar quota, I respectfully refer the Finance Committee to the domestic refiners' testimony appearing at pages 255 to 283 of the printed record of the hearings in March 1937 before the House subcommittee. We then urged as a matter of principle and of equitable stabilization under the quota system that since Cuba's raw sugar sold in this market benefits so very much from that system, it would be only fair to confine Cuba's quota shipments to sugar in raw form, thus to restore to the unprotected domestic refining industry the volume of domestic business which Cuba took from it in the years just before the quota system. While we feel that the 375,000-ton figure in the Jones bill is much too large, we recognize the sincere efforts of the House committee to reach a compromise, and, without waiver of our position in principle, we are not disposed to insist further on our objection at this time, provided the House bill is accepted with section 207 left entirely unchanged, not only as to Cuba but as to all other areas.

That part of section 207 which continues in force the limitations on direct-consumption sugar from Hawaii, Puerto Rico, and the

Virgin Islands to their previous maximum shipments is opposed by Hawaii and Puerto Rico, who allege "discrimination."

We submit that their assertion of discrimination does not withstand analysis and that those areas really receive exceptionally generous treatment under the quota system.

The bill secures them great economic benefits. It divides benefits by allocating production and processing among the various groups supplying the continental market. Inevitably, it takes the entire American sugar industry, continental and insular, as existing when the system was adopted, and regulates expansion. Without sacrifice by each group or element of the right to expand at will, there could be no quota system. The refined-sugar limitations on Hawaii, Puerto Rico, and the Virgin Islands do not forbid them doing anything which they were doing before the quota system, but merely require them to refrain from expanding their shipments of refined sugar to the continent. They can continue to ship their pre-quota maximum quantities. On the other hand, the quota system does limit continental refiners to a percentage of the national volume which is today less than the average for the 3 years prior to the quota system and far less than their previous maximum performance. Although due to beet-sugar shortage and some increase in consumption in 1936, the continental refiners' volume was somewhat larger than in 1933, their 3-year average under quotas is below the 1931–33 average. Continental refiners can operate at only about 60 percent of capacity. Surely the discrimination, if any, in this matter is against continental refining, not against Hawaiian and Puerto Rican refiners.

A second allegation is that the quotas "establish that a certain part of the Union may not manufacture, may not process the products of its soil", the implication being that other parts of the Union can do so freely. Such implication is erroneous. The quota law restricts all States of the Union from processing and marketing products of their soil in excess of certain amounts. That is the essence of the system. Florida, for example, objects to it precisely on that ground. The quota system prevents Louisiana and Florida from processing and marketing in the continent products of their soil which they are capable of producing; it authorizes the Secretary of Agriculture to prevent Texas (which formerly produced cane sugar) and New York (which formerly produced beet sugar), and other States in similar situations from reentering such business; also it restricts Hawaii and Puerto Rico from expanding production or processing of sugar for marketing in the continent. The rule is the same in principle. There is no discrimination against the islands.

There is a quota on continental refining because the quota law says that all persons who want to refine sugar on the continent can buy only a certain amount of raw sugar. That just as effectively imposes a refining quota upon the continent as would a specific sentence saying literally that the total refined sugar output of the continent shall not exceed so many tons raw value, or a stated percentage of total consumption.

For the purposes of the quota system the 1934 law, as drafted by the administration, and continued in the present bill, treats the entire continent of the United States as one economic sugar area, not

only with respect to processing or refining, but also with respect to production of beets and cane. It recognizes no State boundaries. The method of the law as to the continent is most emphatically to limit the total amount of refined cane sugar that can be made in the 48 States as a whole, and the total amount of beet sugar that can be made in the 48 States as a whole, and then to give the Secretary of Agriculture discretionary power to allocate all such production and processing among producers and plants, including cane-sugar refineries. Neither the cane-sugar refineries nor any other sugar group is responsible for that method. It is the method selected by the administration and Congress and is obviously both practical and convenient. As the Secretary has already done as to beet sugar, he can exercise his allocation power with respect to cane-sugar refining and limit the volume of refining permitted in any single State and specify the plants permitted to make it. The Hawaiian argument that the States of the continent are not subject to limitation as to refining falls to the ground. The treatment provided for by the act for both the mainland and the islands is, in substance, the same.

Sometimes the point is made that under the law Hawaiian and Puerto Rican refined-sugar quotas are fixed amounts, whereas the continental refining limitation permits it to participate in increased consumption of cane sugar. While this is true, it is also true (1) that the continental industry must likewise absorb any decline in consumption while Hawaiian and Puerto Rican refining need not, and (2) that the Hawaiian and Puerto Rican refined-sugar quotas are their previous maximum shipments, whereas the continental refining industry is held down by quotas to a volume far below maximum previous shipments, and below normal shipments preceding the quota system, such restriction in fact holding the continental plants to about 60 percent of capacity. Any foreseeable increase in domestic consumption will not bring continental volume to anywhere near previous maximum. Therefore the real discrimination, if any, is not against the islands but against the continent.

In testing discrimination one must look at the results of operation of the entire system. The refined-sugar limitations are but part of the whole. The record shows that Hawaii and Puerto Rico benefit tremendously from the quota system. It virtually guarantees them $30,000,000 a year more than they had before (1931–33), and $100,000,000 a year more for their sugar than they could get anywhere else in the world. Under the new bill $17,000,000 per annum of that amount is a cash bounty from the United States Treasury. Most of that bounty will go to large corporations in Hawaii and Puerto Rico which would like to expand refining operations.

The gross sugar income of the United States sugar system increased by about $100,000,000 under the Jones-Costigan Act (3 years, 1934–36; compared with a 3 years, 1931–33). Puerto Rico and Hawaii are estimated to have received about 19½ millions of such increase. On the other hand, the continental refiners experienced a decline in their gross sugar income of 1.8 million dollars, being the only group in the entire system to register such a loss, just as they are the only group that receives no cash benefits or price subsidies of any kind from the operation of the system.

The Hawaiian sugar industry consists of 39 mills, 36 of them dominated or controlled by five holding agencies with interlocking directorates. These holding agencies in 1936 earned on the average about 14 percent; and the controlled operating sugar companies averaged about 9 percent of capital and surplus. Sixty-four percent of Puerto Rico's sugar output is made by eight corporations, having average earnings in 1936 or about 13 percent of capital and surplus. On the other hand, the continental refining industry made an average profit in 1936 of 3.14 percent on net invested capital; in 1935 it was one-quarter of 1 percent. The average for 1934–36 was 1.83 percent.

On the division of economic benefits, which is the essential test of equity in a quota system, the Hawaiians and Puerto Ricans obviously cannot allege that they are discriminated against. So far from being exploited by the home country under an "Old World colonialism", as has been picturesquely alleged in fervid argument, the "colonialism" seems to have a "reverse English." If anything, the islands are getting the better of the mainland.

If restrictions against expansion of refining in Hawaii, Puerto Rico, and the Virgin Islands for the continental market are removed from the quota system, the continental cane sugar refining industry will be largely ruined. Here are some reasons why:

1. The continental industry depends on Hawaii and Puerto Rico for approximately 1,700,000 tons of raw sugar per annum. Under the quotas, the continental industry can not get this raw material anywhere else. The loss of this raw material would reduce the operations of the continental refining industry to less than 40 percent of capacity; a condition inevitably leading to bankruptcy.

2. As the Hawaiian sugar industry is banded together in a single powerful association, dominated by five holding agencies with interlocking directorates, and most of Puerto Rico's sugar production is controlled by a few companies, it would be the simplest thing in the world for Hawaiian and Puerto Rican interests to decline to ship a single ton of raw sugar to the continent. They could set up additional refining plants in those islands and refine all that sugar there. They would certainly do it, because they are highly prosperous, they are not allowed by the quota system to use their surplus funds in expanding their raw sugar production, and they would have a guaranteed continental market for refined sugar. With their cheap tropical labor it would be attractive business.

3. To aid them in accomplishing such a program the Hawaiian and Puerto Rican interests have the price subsidies assured them by the quota system plus the direct cash benefit payments from the United States Treasury, all totalling $30,000,000 a year over the returns they were getting in 1931–33. Including their former tariff subsidy (which they still receive) of $70,000,000 per annum over world value they get the enormous sum of $100,000,000 per year above world market levels. The irony of such a situation would be that all of that $100,000,000 comes from the consumers of the continent; on a population basis, $38,000,000 of it comes from consumers in those very refining States of Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, and Texas, whose refining industry Hawaii and Puerto Rico would thus be enabled to destroy.

The American continental workmen who would lose their jobs by the granting of this demand of Hawaii and Puerto Rico receive wages from $5 per day upward; minimum wages in Puerto Rico are 85 cents per day; in Hawaii less than $2. The continental cane sugar refining industry employs some 16,000 workers at high wages and indirectly gives employment to many thousands more who are engaged in furnishing it with supplies and services.

The demands of Hawaii and Puerto Rico mean nothing more nor less than exposing the long-established continental cane sugar refining industry to virtual confiscation of property and jobs. As Senator O'Mahoney forcefully stated it, these demands really are that "a preference should be extended to the insular labor and refiners over continental labor and refiners."

The Hawaiian and Puerto Rican proposal would not benefit the consumer. Refined sugar from those areas sells at the grocery store at the same price as continental refined. The competition in continental refined sugar is very keen, not only between the various cane refiners but between them and the various beet processors, Louisiana direct-consumption plants and offshore refiners. Attempts have been made to obscure the real issue here by charges of monopoly. Such charges are unfounded and improper. As everyone in the sugar trade knows, no monopoly exists, and competition is extremely bitter. The average retail price for sugar last year was 5.59 cents per pound. The average continental refiner's net profit was 7/100 of a cent per pound.

To save the committee's time, I offer for printing in the record a supplemental memorandum disposing of other inaccurate or misleading arguments which have been advanced. I also offer for printing in the record a very brief memorandum upon the power of Congress to impose the limitations which have been discussed, including a copy of the opinion of Judge Bailey upholding the Jones-Costigan Act limitations when they were attacked by the Hawaiian interests in an injunction suit against the Government. It seems convenient to include that opinion in the record as it is not available in the published law reports.

Assuming that the quota system is to be included, we approve of this bill which has passed the House, and favor its enactment. In substance it reenacts the principles of the Jones-Costigan Act of 1934, which established a quota system restricting production, processing, and marketing.

Senator KING. May I inquire for my information—perhaps you have stated it—just whom you represent?

Mr. BUNKER. I represent the United States Cane Sugar Refiners' Association, Senator King.

Senator KING. And where are the plants of that association, and who control the same?

Mr. BUNKER. There are 11 members of the association, 11 companies, and the plants are located in the States of Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Louisiana, and California.

Senator KING. They are all refiners?

Mr. BUNKER. All refiners; yes, sir.

Senator KING. Are there any new companies added to the organization?

Mr. BUNKER. No, sir.

Senator CLARK. Does that have any connection with the Sugar Institute?

Mr. BUNKER. It has no connection with the Sugar Institute, Senator.

Senator KING. How long has the organization been in existence?

Mr. BUNKER. It was formed in November 1936, Senator King.

Senator KING. Prior to that, where were the several units of the organization? With whom did they affiliate?

Mr. BUNKER. We had no formal association of this kind, Senator King. It is entirely apart from the Sugar Institute or the purposes of the Sugar Institute. It has no connection with it.

Senator CLARK. Did it separate from the Sugar Institute after the Sugar Institute was enjoined by the Supreme Court of the United States for monopolistic practices?

Mr. BUNKER. It was not formed for any such purposes as the institute was formed for, Senator. It was formed to represent the members of the association, these individual companies, in protecting their interests, in publicity, in legislation, and so forth.

Senator KING. These companies do nothing but refine sugar; is that right?

Mr. BUNKER. Some of the companies.

Senator KING. And sell some—sell sugar?

Mr. BUNKER. Yes, sir.

Senator KING. For instance, the sugar that they get from Hawaii, if they get any, they refine it and they become the vendors of it?

Mr. BUNKER. Yes, sir.

Senator KING. They control the price of it? They are the purchasers and the distributors?

Mr. BUNKER. They purchase the raw sugar and sell the refined sugar.

Senator KING. You state there are how many members of your organization?

Mr. BUNKER. Eleven members.

Senator KING. With whom were they affiliated, in any organization, prior to the formation of this company in 1936? Were they members of the institute?

Mr. BUNKER. Yes; they were members of the institute.

Senator KING. Of the Sugar Institute? And were the proceedings against the institute by the Federal Government, enjoining them because of their monopolistic practices?

Mr. BUNKER. There were proceedings by the Federal Government, yes, sir; against the institute.

Senator KING. And they were enjoined?

Mr. BUNKER. Yes, sir. May I enlarge on that a little?

Senator KING. Surely.

Mr. BUNKER. The institute was formed in 1927–28 to eliminate unfair trade practices which had grown up in the industry, with the knowledge and approval of the Department of Justice at that time.

Senator KING. Among themselves?

Mr. BUNKER. Its records were always open to the Department. In 1930 a new personnel came into the Department with different ideas as to the powers of trade associations. Many such associations

voluntarily disbanded at that time. The members of the institute preferred to test the powers of trade associations, and the Government then brought suit to dissolve the institute. The courts did not dissolve the institute but held that some of its practices were contrary to the antitrust laws. The Supreme Court particularly pointed out ways in which its purposes could be accomplished lawfully.

Shortly after that the Congress passed the Robinson-Patman Act, which virtually required by the law the practices which the institute voluntarily tried to establish.

This association has no connection whatever with the institute.

Senator LONERGAN. Mr. Chairman, I would like to ask some questions. How many refineries are there in the United States? You say you represent 11.

Mr. BUNKER. There are 14 refining companies, about 19 plants, and in addition to that there are three or four producers of direct-consumption sugar and two small refineries in Louisiana.

Senator LONERGAN. Are there any interlocking directorates?

Mr. BUNKER. No, sir; none that I know of.

Senator LONERGAN. Who owns the stock in these different companies? Is it closely held?

Mr. BUNKER. No; there are about 70,000 stockholders, I think, who own the stock of all these various companies.

Senator LONERGAN. And each is independent of the other?

Mr. BUNKER. Yes, sir.

Senator LONERGAN. There is no arrangement as to price control?

Mr. BUNKER. No arrangement as to price control. Competition in the industry is very keen.

The CHAIRMAN. You are speaking now of the refiners of sugar-cane sugar?

Mr. BUNKER. Yes; the raw cane sugar, Senator.

The CHAIRMAN. How many refiners of sugar beets are there?

Mr. BUNKER. I think there are 22 plants, Senator.

The CHAIRMAN. All right.

Mr. BUNKER. Twenty-two companies, I should say, with a great many more plants, some 70 or 80 plants.

Senator KING. Most of the sugar which your companies refine comes from Cuba?

Mr. BUNKER. No, sir.

Senator KING. And offshore territory?

Mr. BUNKER. It comes from Cuba, Hawaii, Puerto Rico, the Philippines, and Louisiana raw sugar is refined by the refineries in Louisiana, and a small amount from other countries.

The Jones-Costigan Act, as I say, included limitations as one of its principles on the expansion of refining or shipment to the United States from Hawaii, Puerto Rico, the Virgin Islands, the Philippines, and Cuba. In the debate on that bill in April 1934 Chairman Jones, of the House Committee on Agriculture, said that those provisions were inserted in the bill in order to deal fairly with the American refining industry, and the American brief, in 1934, in the case in which Hawaii attacked the validity of the quota system, said:

> It is reasonable for Congress to enact legislation maintaining the status quo so as to permit no further immediate inroads upon continental refiners.

And again, the President said in his message on March 1 this year recommending the continuation of the principles of the Jones-Costigan Act:

> The Jones-Costigan Act has been useful and effective, and it is my belief that its principles should again be made effective. I, therefore, recommend to the Congress the enactment of the sugar-quota system, and its necessary complements, which will restore the operation of the principles on which the Jones-Costigan Act was based. In order to accomplish this purpose adequate safeguards would be required to protect the interests of each group concerned.

Senator KING. Having mentioned the President, I hope I will be pardoned for adverting to him. Is it not a fact that not only the President but the Secretary of the Interior and the Secretary of Agriculture have advocated modification of the Jones-Costigan Act, insofar as that act may have dealt with refiners and have necessitated—perhaps that is too strong a term—and have urged or have contended that the Puerto Ricans and the Hawaiians being American citizens and their Territory being under the flag, should have the right to enlarge their refining activities?

Mr. BUNKER. I think that is right, Senator, but I think I may also say that the first draft of the bill which the Department drew, and on which hearings were held in the House, contained those very restrictions, in order to accomplish this.

Senator KING. By whom was that first draft drawn; by the Secretary of Agriculture, or by your organizations?

Mr. BUNKER. By the Department of Agriculture. We were not even consulted.

Senator KING. Dr. Bernhardt, I suppose.

Mr. BUNKER. I assume so; and Dr. Robbins and others.

Now the quota system limits the freedom of all sugar groups and protects them within those limitations. The system denies to the continental cane-sugar refining industry the right of obtaining raw sugar wherever and in whatever amounts they choose. It is restricted to quota raw material from the specified areas, chiefly the islands. This restriction on the refiners brings prosperity to raw-sugar plantations by enhancing raw-sugar prices. These higher raw-sugar prices are supplemented by Federal cash bounties. Consequently it would seem that an integral part of any just quota system is that the raw-sugar producers shall not deprive the continental refining industry of their raw material, otherwise the quota system would be an invitation to the subsidized industries of Cuba and Hawaii and Puerto Rico to starve the continental refining industry out of existence. It would be a great injustice to American labor in the refining industry and to American labor employed in transportation, coal mining, and other industries, which furnish supplies and services to the refining industry, and it would destroy the savings of thousands of investors and jeopardize the livelihood of many thousands of workers.

Section 207 of the present bill reenacts substantially the principles regarding refined sugar found in the Jones-Costigan Act with the exception that the Cuban direct-consumption quota is placed at 375,000 short tons instead of 22 percent of their total quota. I will not go at length into our position in regard to that.

We have always maintained that in view of the substantial benefits Cuba receives from the quota system and the trade agreements, that her sugar should be shipped here as raw sugar, and that that

volume which was taken from the continental refiners before the quota system should be returned to them.

However, this is a compromise measure; and, while we think the figure is too large, we are not going to object further at this time without, however, waiving the principle.

Senator KING. Many of the sugar producers in Cuba are Americans, are they not?

Mr. BUNKER. Yes, sir.

Senator KING. They are American companies?

Mr. BUNKER. Yes, sir.

Senator KING. And do they have any refineries there?

Mr. BUNKER. Yes, sir.

Senator KING. Are any of the Cuban sugar interests interested in the refineries you represent?

Mr. BUNKER. No; they are not, Senator. Two of the companies which I represent have plantations in Cuba, but I do not represent the American companies with refineries in Cuba; the principal one is Hershey, which has the largest refinery in Cuba.

Senator KING. Then, as I understand you, the sugar producers in Cuba are not stockholders in or connected with refineries which are in the United States?

Mr. BUNKER. I do not know of any who are.

Senator BROWN. Mr. Chairman, I have one question. In your testimony, Mr. Bunker, before the House committee, which I read last night, you made a statement which astounded me, and I would like to have it amplified. You said this:

> I believe that the cane-sugar-refining industry is the only large industry in the United States with actual or potential foreign competition, which is without tariff protection of any kind. In fact, there is still a tariff penalty against American refineries of about one-tenth of a cent per 100 pounds as against Cuban refined sugar.

Will you amplify that a little and explain just how that works out?

Mr. BUNKER. Yes, sir. In the last tariff act the rate on importation of raw sugar was 2 cents against Cuba. It requires 107 pounds of raw sugar to produce 100 pounds of refined sugar. The rate on 100 pounds of refined sugar was $2.12, whereas the rate on 107 pounds of raw would be $2.14. Consequently the American refiner would have to pay $2.14 per 100 pounds duty, in order to get enough sugar to produce 100 pounds of refined, whereas the Cuban refiner would pay $2.12. That difference was reduced to nine-tenths of a cent, when the reduction of duty took place to $1.50 and then again to 90 cents.

Senator DAVIS. There is some difference, is there not, between the wages paid in the Cuban refineries and in the refineries of this country?

Mr. BUNKER. Yes, sir, Senator. Our minimum is close to $5 a day. I think the Cuban is about $1.10 a day.

Senator DAVIS. What are the wages in Puerto Rico?

Mr. BUNKER. I think the minimum is 85 cents a day.

Senator DAVIS. And in Hawaii?

Mr. BUNKER. I think it is something under $2.

Senator KING. You are speaking of refiners?

Mr. BUNKER. Yes, sir.

Hawaii and Puerto Rico have opposed that part of section 207 which limits direct-consumption sugar to their previous maximum shipments as discrimination. I do not believe this assertion will stand up. They receive exceptionally generous treatment under the quota system, and the bill secures to them very great economic benefits. Inevitably any quota system limits the right of expansion. Without that there could be no quota systems.

Limitation on the refined sugar from Puerto Rico and Hawaii merely requires that they refrain from expanding their shipments, and these shipments are set at their pre-quota maximum. Continental refiners, however, are limited under the quota system to less than their 3-year average prior to the quota system, 1931–33, and to much less than their maximum. They operate at little over 60 percent of capacity. It would seem that the discrimination, if there is any in that respect, is rather against the continent than against Hawaii and Puerto Rico.

Senator VANDENBERG. Did they ever operate up to capacity?

Mr. BUNKER. The refiners? They operated, I think, about 85 percent.

Senator VANDENBERG. So, in fact you are cut down from about 85 to 60?

Mr. BUNKER. To 60. Since 1925 we lost over a million tons of production.

Senator KING. When was the last refinery in the United States constructed?

Mr. BUNKER. Last year, Senator King.

Senator KING. Last year?

Mr. BUNKER. Yes.

Senator KING. Why were you constructing new refineries, if you were operating to 60 percent of capacity?

Mr. BUNKER. Well, we did not construct that. I cannot answer that, Senator. Someone evidently thought he would like to try it out. I certainly would not construct one.

Senator KING. Are they members of your institute, or of some other institute?

Mr. BUNKER. They are not members of our association.

Senator KING. What proportion of the refineries and owners of refineries in the United States are members of your association?

Mr. BUNKER. Members of our association process about 80 to 85 percent of the refined cane sugar in the United States, and, I guess, represent in number 98 or 99 percent of the owners, or I mean so far as stockholders go.

Senator KING. Then the members of your organization were formerly members of the Sugar Institute?

Mr. BUNKER. Oh, yes; yes, sir.

The further allegation has been made that the quotas establish that a certain part of the Union may not manufacture, may not process the products of its soil, the implication being that other parts of the Union can do so freely, but that is an erroneous implication. The law restricts the States from processing and marketing products of their soil in excess of certain amounts. As I understand it, that is the very objection which Florida has offered to the bill. For instance, the Secretary is authorized to prevent the State of Texas, which once grew sugarcane, or the State of New York, which once grew sugar beets, from reentering that business. It also re-

stricts Hawaii and Puerto Rico from expanding the production of sugar for marketing on the continent, and it establishes just as definitely a quota on continental refining by limiting the sources and the amount of its raw supply as though the figures were stated in the bill as tonnage or as percent.

Senator KING. Will the refinery which was built within the last year get its supply, if there were allocated to the existing refiners substantially all of the continental and offshore sugar that is refined?

Mr. BUNKER. The Secretary would have power to refuse an allocation, Senator, under the bill. The refinery is already in existence and I do not presume that he would.

Senator BARKLEY. Mr. Bunker, what percentage of capacity have the Hawaiian and Puerto Rican refiners been working?

Mr. BUNKER. I assume they have been working pretty close to 100 percent, Senator. At least they got maximum shipments to the United States up to the time of the Jones-Costigan Act.

Senator BARKLEY. If they were permitted more, they could not refine much more?

Mr. BUNKER. I assume they could not, unless they have increased their capacities in the meantime. That was their maximum at that time.

Senator KING. Hawaii refines but 3 percent of her sugar production.

Senator VANDENBERG. About 100 percent of capacity?

Mr. BUNKER. About 100 percent of its capacity.

Senator KING. They refine 30,000 tons. That is 3 percent of their production.

Senator VANDENBERG. And 100 percent of their capacity.

Mr. BUNKER. Yes, sir. For the purposes of the quota system the Jones-Costigan Act treats the entire continental as one economic sugar area with respect to the processing, refining, and production of beets and cane. It limits the amount of refined cane sugar that can be made and the amount of beet sugar, and give the Secretary of Agriculture power to allocate production and processing among producers and plants, including refiners. This method was selected by the administration and by Congress, and is obviously both practical and convenient for the purposes of the system.

The Secretary can limit completely the refining permitted in any State and specify the plants permitted to do it, and it seems obvious that the Hawaiian argument on limitation would fall to the ground with this provision.

The point has been made that the Puerto Rican and Hawaiian refined quotas are fixed, and that the continental refiners can share in increased consumption. That is true. On the other hand, the continental refiners must absorb the decline in consumption, and the Puerto Rican and Hawaiian refined quotas are fixed at their maximum, whereas the continental refiners operate at about 62 or 63 percent of capacity.

Senator KING. The manufacturers of clothing and textiles and anything else have to absorb the losses, as well as have capacity for increasing demand?

Mr. BUNKER. That is true, but my point is that the Hawaiians and Puerto Ricans do not have to, Senator. In testing the discrimination question by the figures it seems to me that one must look

at the results of the quota system as a whole, and on this basis the record shows that Hawaii and Puerto Rico have benefited tremendously. At the present time, present prices, prices prevailing last year, they received about $30,000,000 a year more than they did in the years 1931 to 1933, prior to the quota system. They received $100,000,000 a year more for their sugar here than they could get anywhere else in the world.

Senator KING. May you not say that all the sugar producers here bought sugar that much more than they did a few years ago?

Mr. BUNKER. That is true. That is quite true.

Senator KING. And Hawaiians are American citizens, are they not?

Mr. BUNKER. Quite true, but it does not obviate the fact that they are still getting enormous benefits; $17,000,000 of this is a cash bounty from the Treasury, going mostly in Hawaii and Puerto Rico, to large corporations who would like to expand their refineries. The gross income of the United States sugar system increased $100,000,000 under the Jones-Costigan Act, of which Hawaii and Puerto Rico received approximately $19,500,000. In Hawaii there are some 39 mills, 36 of them controlled by five agencies. These agencies earned about 14 percent in 1936 on their capital surplus, and the mills earned about 9 percent. Sixty-four percent of the sugar which was produced in Puerto Rico is made by nine companies who earned about 13 percent last year on capital and surplus. The continental refining industry made 3.14 percent in 1936 on capital and surplus. In 1935 it earned one-quarter of 1 percent, and for the 3 years of the Jones-Costigan Act it averaged 1.83 percent.

Therefore, in the division of the benefits of this system it seems that, obviously, Puerto Rico and Hawaii were not discriminated against. It seems that the discrimination, if there is any, is the other way, rather. The removal of these restrictions, section 207, on Hawaii and Puerto Rico would spell ruin for the continental refining industry. It would mean that it could not get 1,700,000 tons of raw material anywhere else, because it is restricted by the quota system from going anywhere else for that raw sugar, and it would reduce their operations to about 40 percent or less of capacity. Because of the close control in one association of the sugar industry of Hawaii, and of the control in Puerto Rico by the large companies of the great bulk of the sugar production, it is a very simple matter for them to refuse to sell any sugar to the refiners here, to set up their own refineries and withhold entirely that raw supply from us, and to assist them in this, Hawaii and Puerto Rico have price subsidies, under the quota system, plus cash benefit payments from the Treasury, totalling $30,000,000 per year over their 1931 to 1933 returns, and $100,000,000 more than they could get on the world market. All of this comes from continental consumers. As a matter of fact, $38,000,000 of it comes from refining States whose business they would destroy.

Senator KING. May I interrupt you again? I beg your pardon.

Mr. BUNKER. Yes, sir.

Senator KING. There was no sugar from Hawaii refined in any of the refineries of the United States in 1922, 1923, 1924, 1925, 1926, 1927, and 1928, was there?

Mr. BUNKER. That sugar was refined in their own refinery in San Francisco, all at Crockett, Senator.

Senator KING. But none of it in the East?

Mr. BUNKER. None of it in the East, and it was not refined in the East until they increased their production so they could not economically handle it in San Francisco.

Senator KING. And in 1929 there was only refined in Boston 28,000 tons, 26,000 tons in New York, 10,000 tons in Philadelphia, 7,000 in Baltimore, and 17,000 in New Orleans. That is correct, is it not?

Mr. BUNKER. I do not have those figures, but I could give you the reason for that, Senator, and that is they increased their production largely in Hawaii subsequent to those years. They could not refine all of that sugar economically at San Francisco. They, therefore, sold it to the eastern refiners and saved themselves enormous amounts of freight absorption, which otherwise they would have had to take from Crockett.

The refining of sugar in Hawaii and Puerto Rico would not benefit the market price, for the sugar sold at the grocery for the same price as the continental cane sugar or beet sugar. Everyone knows that competition in the refining industry is exceptionally bitter, both between the refiners and between the refiners and the beet processors, and between the Louisiana direct-consumption producers and the offshore refiners.

Of the total retail price for sugar in 1936, of 5.59 cents per pound, the refiners' part was seven-one-hundredths of a cent per pound.

Mr. Chairman, in order to save the time of the committee I would like to offer for printing in the record a supplemental memorandum which disposes of some inaccurate and misleading arguments which have been advanced.

The CHAIRMAN. You may do that, without objection.

Mr. BUNKER. I would also like to offer for the record a very brief memorandum on the power of Congress to impose limitations which have been discussed, including a copy of the opinion of Judge Bailey upholding the Jones-Costigan Act limitations, when they were attacked by the Hawaiian interests in an injunction suit against the Government.

The CHAIRMAN. That may be put in the record, without objection.

Mr. BUNKER. And also the reply to Delegate King's letter which he sent to Chairman Jones.

The CHAIRMAN. Very well, without objection.

(The three memoranda submitted by Mr. Bunker are as follows:)

SUPPLEMENTAL MEMORANDUM BY THE UNITED STATES CANE SUGAR REFINERS' ASSOCIATION IN ANSWER TO A MEMORANDUM ISSUED BY DEPARTMENT OF INTERIOR AUGUST 5, 1937, WITH RESPECT TO QUOTA LIMITATIONS ON REFINED SUGAR FROM HAWAII, PUERTO RICO, AND THE VIRGIN ISLANDS

On August 5, 1937, the Department of the Interior reiterated its opposition to reenactment of the Jones-Costigan Act limitations on entry of refined sugar under the quota system from Hawaii, Puerto Rico, and the Virgin Islands. The Department repeated earlier arguments and advanced certain additional arguments.

Its memorandum contains inaccurate or erroneous statements and suggests misleading inferences.

1. The first allegation of the Department is that the existing restrictions establish discriminatory trade barriers "within the United States." This argument seizes upon an unsound point of form to the complete disregard of the substance of the situation and the nature and operation of the quota system. It has been answered at length in a statement of Mr. Ellsworth Bunker to the Senate Finance Committee.

The continental cane sugar refiners are under as much of a restriction as any other group in the quota system, for they are, in the language of the act (sec. 209) "* * * persons * * * prohibited from bringing or importing into the continental United States from the Territory of Hawaii, Puerto Rico, the Virgin Islands, the Commonwealth of the Philippine Islands, or foreign countries, any sugar or liquid sugar after the quota for such area, or the proration of any such quota, has been filled; (b) from shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar * * * produced from sugar beets or sugarcane grown in either the domestic-beet-sugar area of the mainland cane area after the quota for such area has been filled."

2. The so-called "colonial exploitation" complained of as a second point in the Department's memorandum is literally "reverse English", for, from an economic standpoint, the exploitation, if any, is of the mother country and by the "colonies", as the Department of the Interior has chosen to call them, instead of the other way around. Any impartial analysis of the quota system as a piece of economic legislation shows that Hawaii and Puerto Rico are receiving far greater benefits than any State in the Union; and that the refined sugar restrictions referred to merely prevent the use of those benefits and of the artificial powers of the quota system to destroy a continental industry which Congress, by the terms of the law, prohibits from defending itself by purchasing raw materials elsewhere.

As Senator O'Mahoney has forcefully stated:

"It seems perfectly obvious that the law which shuts off the supply of raw material for American manufacturers definitely restricts all capacity of those refiners to expand. * * * Without the restriction, obviously refiners in Puerto Rico and Hawaii would be permitted to expand their operations at the expense of the continental industry. I hold no brief for American refiners, but in a measure which is designed to stabilize sugar, it seems to me to be equitable and just to stabilize all factors of the industry. * * * Actually the principle for which the Secretary (of the Interior) contends is that a preference should be extended to the insular labor and refiners over continental labor and refiners. It seems to me that there is no need for such a preference."

Whether or not there is discrimination must be tested by the substantial equity of the quota system in its application to each area or group in the industry. The pertinent question is not whether an identical set of words is written in the act for each area or group, but whether, all things considered, each receives an equitable result with regard to all the circumstances of the case. Certainly it would be the essence of injustice and inequity to set up the system so that Hawaiian and Puerto Rican raw sugar producers would be allowed to take the large price subsidies and benefit payments of the quota system and, by virtue of the prohibitions of that system (which prevents the continental refining industry from obtaining raw material elsewhere) deprive that industry of its raw material and thus destroy it. Yet that is precisely what Hawaii and Puerto Rico are asking Congress to do.

It is obvious that the allowances to them on refined sugar shipments are more generous to their refining plants than is the effective allowance allotted by the quota system to continental refiners. The islands may ship to the United States the maximum amount of refined sugar that they ever shipped prior to the quota system, whereas the effect of the quota system on continental refiners is to freeze their volume at approximately 60 percent capacity and far below previous performances over long periods.

3. The Department of the Interior memorandum attempts to conceal the damage which its proposition would do to the continental cane sugar refining industry, by citing various alleged "extraordinary benefits" of the quota bill in favor of the refiners. On analysis they are unfounded or irrelevant, or incidents of the quota system which also benefit Hawaii and Puerto Rico.

A. First among such "benefits" so cited is this "Under the quota provisions total supplies are adjusted to consumers' needs, which stabilizes the sugar market in the United States, as operations under the Jones-Costigan Act have indicated. Refiners thus obtain at public expense in legal form and under public safeguards the general market stabilization which they sought unsuccessfully to achieve at their own expense * * * under the sugar institute regime of 1928-30. * * *" If this statement indicates that the quota system was enacted at the instance of the refiners, it is historically false, as everyone knows. To say that the quota system has stabilized the prices of

marketing of refined sugar is simply not true. The Department could easily have learned this. It is common knowledge in the trade that the 3 years of the quota system have witnessed wide fluctuations in both raw and refined sugar markets, many of them due to unexpected quota releases by administrative order, which caused great loss to refiners whose business forces them to carry large inventories. The differences between annual high and low prices of raw sugar averaged 85 points during 1934–36 as against 69 points in 1931–33. Similar differences between annual high and low refined prices averaged 62 points in 1931–33 as against 78 points in 1934–36.

The price benefits of quota stabilization have not accrued to the refiners and there is no reason to expect them to in the future. Their refining spread has fluctuated between 0.56 and 0.70 cent per pound (after deducting conversion loss) during the 3 years of the Jones-Costigan Act, averaging 0.63 cent as compared with 0.65 cent of the 3 years preceding. In 1936 the refiners' spread stood at 0.62. In contrast with this, the raw-sugar price reached an average for 1936 of 3.51 cents as against an average of 3.14 in 1931–33 (weighted average of sales). The refiners competed actively with one another for the limited supplies of raw sugar permitted entry into the continent of the United States under the quota system, and for the sales outlets in the refined sugar market where there is no allocation of the supply. The obvious tendency of such a situation is to raise raw sugar prices and to keep refined sugar prices relatively low. From all present indications the "stabilization" will continue to work in the same manner in the future, giving a greatly enhanced price to the producers of raw sugar, including Hawaii and Puerto Rico as leading beneficiaries, and assuring the refiners of absolutely nothing.

The regulation of sugar-marketing practices attempted by refiners in the period of the Sugar Institute (1928–30) was something entirely different from what the Jones-Costigan Act and the present bill provide. The Sugar Institute was formed early in 1928 with the previous knowledge and assent of the Department of Justice, to eradicate secret rebates and other discriminations in the sugar trade. It was openly conducted and its records were at all times available to the Department. It was one of numerous trade associations formed in that period with the encouragement of the Federal Government. Among its membership was the California refinery (largest in the world), owned and controlled by the Hawaiian sugar producers. In 1931, when a new personnel had entered the Department of Justice, policy was changed, and numerous trade associations were dissolved under threat of legal proceedings under the Sherman Act. The Sugar Institute, however, decided that it would rather seek a judicial determination of the application of antitrust laws to trade association practices in the sugar industry, and accordingly the Department filed suit in equity requesting the court to dissolve the institute and enjoin its practices. After a long and complicated trial the lower court enjoined numerous practices of the institute as constituting concerted action or agreements which the antitrust laws did not permit but found specifically that there was no agreement on prices or volume of business, recognized that conditions in the trade warranted some action, pointed out ways in which the evils in the industry could be eliminated lawfully, and refused to dissolve the institute. The records showed that refiners' profits during the institute had remained at unreasonable levels. On appeal, the Supreme Court of the United States in 1936 somewhat modified the decree of the lower court in favor of the institute, approving among other things one of the fundamental features of the institute, namely, open announcement of prices. It is of interest to note that the trade practice regulations of the institute were much less far-reaching than those found in many National Recovery Administration codes sanctioned by the Government in 1933.

No one has suggested during the present controversy or any other time, that the refiners have not observed the Court's decree. The final decision in the case was rendered in 1936 but, as noted by the Department of the Interior, the institute has not functioned since 1931 when the proceedings were started.

Shortly after the Supreme Court's decision Congress passed the Robinson-Patman Act, enacting into law what had been the fundamental principle of the institute, namely, elimination of discrimination between customers.

Whereas the Sugar Institute was directed to elimination of unfair methods of competition, particularly secret rebates and discriminations between buyers, the quota system is concerned almost entirely with the regulation of supplies and division of markets and volume. The Sugar Institute carefully avoided any such monopolistic practice, and the very mention of its activities in the same breath is an unwarranted reflection upon the institute, implying restric-

tions imposed upon the volume of sugar available to the consumer. Whatever relief has been afforded to the sugar industry by elimination of unfair marketing practices has come through the Robinson-Patman Act and not through this quota-control scheme which is entirely bare of such desirable provisions. The Department is to be congratulated for having noted that the decision of the United States Supreme Court early in 1936 really concerned itself with a litigation over activities in the period 1928–30. It might also have noted that the Supreme Court did not order dissolution of the Institute, but instructed it to refrain from certain of the practices undertaken to enforce adherence to the principle (which the Supreme Court approved) of openly announced prices in the refined-sugar trade.

B. Another "extraordinary benefit" alleged by the Department as if particularly in favor of the refiners under the impending bill, is the imposition of quota restrictions upon the importation of liquid sugar. The inference in the Department's statement is misleading. Liquid sugar is a product of continental refiners themselves as well as of other processors in certain seaboard cities, and certain foreign processors. Domestic output has increased along with imports. By increasing their liquid-sugar business the continental refiners could have profited greatly if the quota system had not been extended to sugar in the liquid form. So long as it remained free from quotas, liquid sugar in crude or final form could be purchased and imported into the United States at world price levels, far below the artificial prices which the quota system required to be paid for solid sugar, whether for direct sale or for refining. If that loophole or inequality in the system was to continue the refiners would naturally expand the liquid-sugar business, as they could easily do. The position of the refiners was that the loophole was unsound and prejudicial to the whole quota system, and, therefore, they urged the Department of Agriculture should exercise the powers given it by the Jones-Costigan Act of 1934 to plug that loophole. The Department refused to do so, and the refiners dropped the matter. When the Department of Agriculture suddenly took action in the late summer of 1936 and imposed quotas on liquid sugars by administrative order under the 1934 act, it was distinctly not at the instance of refiners. In the sugar bills of 1937 drafted by the Department of Agriculture such quota prohibitions on liquid sugars were continued.

The real parties interested and who suffer, without any remedy, from the competition of quota-free liquid sugar in American markets are the beet farmers and the raw-sugar producers of Louisiana, Florida, Hawaii, Puerto Rico, and Cuba because the volume of such liquid sugars reduces by just so much the amount of quota sugar salable in the home market. Those interests, or the larger part of them, have no means of defending themselves against the competition of quota-free liquid sugar, for their factories are not built or located, as are the cane refineries, to utilize imported liquid sugar as their raw material. All these facts are well known. The Department of the Interior's statement on this subject is disingenious and misleading.

C. The Interior Department's memorandum is misleading in its claim that the Jones bill's direct consumption sugar quota of 375,000 tons for Cuba represents an "unusual protection" for continental refining. The entire quota system is an "unusual protection" for every producing area it embraces. Cuba has been one of the most-favored beneficiaries of the quota system. Her sugar income increased by about 37 million dollars per annum under the first 3 years of the Jones-Costigan Act, as compared with the 3 years prior. The increase from Cuba's low point of $50,000,000 in 1932 to the level reached in 1936 was over $70,000,000, or 140 percent. Under the proposed bill Cuba will receive in the American market some 53 million dollars for her quota sugar over and above the present value of that sugar on the world market.

The Cuban refining industry is a new development. In 1925 it contributed but 27,000 tons to the American consumption of direct-consumption sugar. The figure did not reach 300,000 until 1930. Only after the enactment of a refined-sugar differential in favor of Cuba as against the continental industry in the Tariff Act of 1930 did the receipts of direct-consumption sugar from Cuba reach 400,000 tons and more. Average receipts in the two quota years, 1934–35, were 380,000 tons. It does not constitute an extraordinary benefit to the continental refiners to require that Cuba does not employ her increased income (given her by the American quota system) in expanding her new refining industry beyond this figure at the expense of the domestic industry.

The statement is made that the United States Tariff Commission reported that on the basis of an official investigation of costs of refining in the United States and Cuba, "no change was warranted in the tariff differential between

raw and refined sugar." This is half truth. The Tariff Commission went on to say (p. 2 of the 1934 report): "Sufficient data are not yet available, and cost studies of the newer developments have not yet been made which would be necessary to establish a basis for a conclusion as to future requirements to protect continental refineries from this new form of competition, * * *." The Tariff Commission, in short, said explicitly that it had no basis for any decision.

Furthermore, the Department suppressed the fact that the Tariff Commission report further condemned the tariff method and its correlative criterion of costs of production as a method of dealing with the sugar problem, and concluded with the recommendation of a quota system (p. 25). The Department also fails to state that although issued in 1934, the report is based entirely on out-of-date figures obtained for the period of 1929–31; that the figures obtained in Cuba by the Tariff Commission came from only three refineries as against the 12 already in operation when the report was issued; and that while the Tariff Commission found that the domestic labor cost was less than 9 cents per hundred pounds of output, it is well known that labor costs have increased in this country tremendously since that date. Domestic labor costs today are approximately 20 cents per hundred pounds of refining, but Cuba's labor costs have not increased comparably. On tariff questions import statistics inevitably speak louder than such information as the Tariff Commission can obtain in a foreign country. The fact that importation of Cuban finished sugar jumped from 27,000 tons in 1925 to 500,000 tons in 1933 is sufficient evidence of the competitive advantage which the Cuban refiner enjoys over the American refiner.

Perhaps more important than any discussion of relative costs, and prices of raw materials, is the all-important consideration that under the closed economy of the Sugar Quota Act, considerations of cost of production are frequently inoperative. One inevitable result of the "stabilization" resulting from the system is that raw-sugar processors who have the technical staff and the marketing outlets for making and selling refined sugar are prompted to expand into refining when they find their raw-sugar production limited to a certain allotment and at the same time they receive a greatly enhanced price for their production operations. In other words, the cost factor used and at the same time deplored by the Tariff Commission is hardly a pertinent criterion under present conditions.

D. The Department of the Interior shows a lack of confidence in the adequacy of its arguments when it includes the quota on Philippine refined sugar as an "extraordinary benefit" to the continental refiners. This is merely a reiteration of the thought underlying the mention of the liquid sugar quota and the Cuban refined sugar quota. The quotas are merely necessary safeguards to prevent further restriction, over and above the present limited volume, from being imposed upon the home refining industry because of withholding of raw material by the subsidized source area.

E. In citing a slight increase between 1933 and 1936 in the volume of the home refining industry from 4,120,000 tons to 4,515,000 tons, the Department of the Interior is careful to select a single year at very bottom of the sugar depression as its basis for comparison. In order to be fair, account should be taken of the fact that in the 3 years of depression preceding the Sugar Act of 1934 the volume averaged 4,331,000 tons. If the Department had been fair enough to consider the average of the 9 years, 1925–33, as being more nearly representative of a normal, they would have found a volume of 5,057,000 tons. Incidentally, in order to avoid unnecessary argument, we have accepted for the purpose of this memorandum the units used by the Department in measuring the volume, in terms of raw sugar, although they are in fact different for the respective periods compared, being exactly 96° basis for the period after 1934 and commercial raw sugar basis for the period prior thereto. Since the purity of commercial raw averages substantially higher than 96°, the Department's figures show the volume for the earlier period as lower, when compared with the later period, than it actually was.

Volume, however, is only half the story. The real issue is, what are the relative gains in the distribution of income resulting from the sale of sugar in the United States?

Under the proposed bill the home refiners' gross income is "stabilized" at something around the depression level of 1931–33 (54 or 55 millions). The incomes of all the other groups averaged together (Hawaii, Puerto Rico, Cuba, Philippines, and continental beet and sugarcane producers) are already about 32 percent above the level of the pre-act average of 3 years, and should soon

be up to 39 percent under the proposed legislation. Compared to the 1925–33 normal, the home refiners' income has been reduced by 21 percent, and under the proposed bill may recover to a level representing a reduction of 18 percent. The gross income of the other groups in the American sugar system is already within 2½ percent of normal and under the proposed bill will be a little above (higher than the normal by 8½ percent). In other words, the Interior Department is complaining against an attempt to safeguard what little was left to the home industry in a depression period, while other groups in the American system have been restored to their predepression prosperity.

F. Only a grossly misleading calculation could have resulted in the statement of the Department of the Interior that "the excess of the American refiners' margin above the world refiners' margin per pound of sugar amounted to over $20,000,000 in 1936." What the Department is trying to say in this obscure language is that the American refiners realized an aggregate dollar spread on domestic business greater by $20,000,000 than it would have been if the rate of spread on domestic business had been the same as that on export business. The true fact of the matter is that such difference between the actual rates of spread results in a figure of only about 1½ million dollars, which is an ordinary variation in the marketing of $500,000,000 worth of any product, particularly having in mind the fact that the principal competition (British) in the export market enjoys an export bounty. The Department's estimate of $20,000,000 could have resulted only from unweighted averaging of "asking" quotations cited daily in the sugar trade journals. Everybody in the sugar business knows that actual sales of refined sugar and of raw sugar in substantial volume are made on relatively few days out of a year and that the weighted average of actual sales of refined sugar in the United States runs substantially lower than such asking quotations. A firm of New York public accountants has computed the weighted average of actual sales and found that the actual refiners' price of refined sugar in continental United States in 1936 averaged 4.38 cents a pound, and that the weighted price of actual purchases of raws by refiners amounted to 3.51 cents. Subtracting one from the other gives a gross spread of 0.87, which must be corrected for the loss of 7 percent of the raw sugar in the refining process. The refiners' spread with this correction amounted to 0.62 cent in the United States. A similar calculation for the world market gives a spread of 0.59 cent. The difference between these spreads was only 0.03 cent. The amount necessary to make a total of $20,000,000 on 4,000,000 tons would be 0.25 cent. Very clearly, only an improper and unfair use of statistics could have resulted in such an exaggeration by the Department of the Interior. If Mr. Ickes' advisors had made proper inquiry, they could have ascertained the truth on this point.

UNITED STATES CANE SUGAR REFINERS' ASSOCIATION.

AUGUST 9, 1937.

CONGRESS HAS THE RIGHT TO LIMIT IMPORTATION OF HAWAIIAN AND PUERTO RICAN REFINED SUGAR INTO CONTINENTAL UNITED STATES AS PART OF THE SUGAR QUOTA SYSTEM

(By United States Cane Sugar Refiners' Association)

The Hawaiians themselves raised that issue in 1934 when they brought suit to overthrow the Jones-Costigan Act. Having lost the case on that principle and realizing that their policy was depriving them of benefit payments amounting to some $8,000,000 per annum, they settled the matter with the Department of Agriculture and did not appeal the case.

Judge Bailey—*Hwa Plantation Company* v. *Wallace*, Supreme Court of the District of Columbia, November 10, 1934—cited various decisions of the Supreme Court of the United States and held that the provisions of the Jones-Costigan Act, including the provisions restricting shipments of refined sugar from Hawaii as in the pending sugar bill of 1937, were valid. Judge Bailey said [reading]:

"Congress has the power to limit the importation of sugar from Hawaii, and that limitation in no way deprives the plaintiffs of property without due process of law."

The soundness of the judge's statement of law is not affected in any way by the fact that the parties to the case subsequently agreed to settle their dispute.

The United States Government in its brief in that case said as to the limitation on Hawaiian refined sugar [reading]: "It is reasonable for Congress to enact legislation maintaining the status quo so as to permit no further immediate inroads upon continental refiners."

As recently as May 1937 the Supreme Court of the United States unanimously recognized in the *Coconut-oil processing-tax case* the same principle of law as had been declared by Judge Bailey. The Court said [reading]:

"In dealing with the territories, possessions, and dependencies of the United States, this Nation has all the powers of other sovereign nations, and Congress in legislating is not subject to the same restrictions which are imposed in respect of laws for the United States considered as a political body of States in union."

The following is the decision in *Ewa Plantation Co. et al.* v. *Henry A. Wallace, Secretary of the Department of Agriculture of the United States*, Supreme Court of the District of Columbia, November 10, 1934, No. 57587:

The validity of the Sugar Control Act is upheld on the grounds that Congress has the power to limit the importation of sugar from Hawaii, that the delegation of power to the Secretary of Agriculture to fix a quota for Hawaii is a valid delegation, and that the limitation does not deprive plaintiffs of property without due process of law. (See sec. 8a, Agricultural Adjustment Act (Sugar Control Act) (103 CCH 758A)).

Justice BAILEY. The plaintiffs are certain corporations, organized either in the State of California or in the Territory of Hawaii and are growers of sugarcane or producers, processors, and handlers of sugar within that territory.

The bill of complaint seeks to have the court declare the provisions of the act of Congress, known as the Sugar Act (758A) to be unconstitutional insofar as it provides for the fixing of a quota for sugar for the Territory of Hawaii, and the regulating of the production, processing, and handling of sugar in that Territory; and that the Secretary of Agriculture be permanently enjoined from carrying into effect the provisions of that act as respects the plaintiffs and their property and Territory of Hawaii.

The act provides that the Secretary of Agriculture may forbid the transportation to, receipt in, the processing or marketing in continental United States, and the processing in Hawaii, Puerto Rico, for consumption in continental United States of sugar from these areas in excess of the quotas fixed by him for any calendar year. These quotas are to be based on average quantities brought from Hawaii or Puerto Rico into continental United States for consumption or which were actually consumed during the three representative years between 1925 and 1933, inclusive, as the Secretary may from time to time determine as the most representative 3 years. These quotas may be adjudged with reference to quotas to be established for certain insular possessions of the United States together with the Canal Zone and also Cuba. With respect to continental United States the statute itself fixes certain minimum quotas.

The plaintiffs claim that the act is unconstitutional in that the Territory of Hawaii is discriminated against in that a quota was fixed by the act itself for the continental producing areas, but the fixing of a quota for Hawaii was left to the Secretary.

The bill does not seek to have the act declared unconstitutional as a whole but only insofar as certain provisions apply to Hawaii and as to the manner in which the Secretary has undertaken to carry out its provisions.

The joint resolution of Congress, 30 Statutes at Large 750, providing for the annexation of Hawaii provided: "that said Hawaiian Islands and their dependencies be, and they are hereby, annexed as a part of the territory of the United States and are subject to the sovereign dominion thereof."

The act of Congress of April 30, 1900, provides that—

"The Constitution shall have the same force and effect within the Territory of Hawaii as elsewhere in the United States."

As to the Territories or possessions of the United States to which the provisions of the Constitution have not been extended expressly, it has been held that the powers of Congress are limited to these Territories only by those fundamental principles and rights which protect an individual against arbitrary deprivation of life, liberty, or property, but not by other limitations of the Constitution on the powers of Congress. As to organized Territories which have become integral parts of the United States and to which Congress has expressly extended the Constitution, other restraints upon the power of Congress apply, such as the requirements of equality of taxation for the purposes of the general government, the right to trial by jury and perhaps others.

That Hawaii is an organized Territory is unquestionable, and that the Constitution, so far as applicable, controls the action of Congress, is settled. *Rasmussen* v. *United States* (197 U. S. 516); *Farrington* v. *Tokushige* (273 U. S. 284).

The power of Congress "to regulate commerce with foreign nations, among the several States, and with the Indian Tribes" does not expressly include the Territories, and some doubt has been expressed as to the existence of that power. But this power had nevertheless been continually exercised by Congress for many years. If the power of Congress to pass this act depended solely upon this clause of the Constitution, it might well be doubted that Congress could discriminate as between Hawaii and continental United States or prohibit the importation from Hawaii into continental United States of articles of trade or commerce, other than those that might be deemed injurious to health or morals or otherwise deleterious.

But Congress is also given the power "to dispose of and make all needful rules and regulations respecting the Territory or other property belonging to the United States." Under this it has been held that its power is absolute and uncontrolled except by those elementary principles above mentioned and also, in the case of organized Territories, by the inhibitions of the Constitution. Subject to these limitations it has all the power that a State government has over its own citizens. It would seem then that apart from the commerce clause it has full power to regulate the commerce of a Territory, whether organized or not, and if necessary or expedient to lay embargoes against exports. This authority would arise, as was said in *De Lima* v. *Bidwell* (182 U. S. 196), in reference to its general powers over a Territory, not necessarily from the Territorial clause of the Constitution, but from the necessities of the case, and from the inability of the States to act upon the subject.

The great distance of Hawaii from the continent, separated by the ocean, the difference in race of many of its inhabitants, the differences in manner of living, in the raising of its agricultural products, all might give rise for many grounds for legislation as to its commerce which would not apply to the continent.

The contention of the plaintiffs that the effect of the act and of the action of the Secretary thereunder will constitute a preference of the ports of the continental United States over those of Hawaii is met by the decision of the *Supreme Court in Alaska* v. *Troy*, 258 U. S. 101, holding that the provision of the Constitution that "no preference shall be given by any regulations of commerce or revenue to the ports of one State over another" does not apply to the ports of even the territories which have been incorporated into the United States.

In my opinion, therefore, Congress has the power to limit the importation of sugar from Hawaii, and that limitation in no way deprives the plaintiffs of property without due process of law.

The plaintiffs allege that in fixing the quotas the Secretary did not use the same period in the case of Hawaii that are used by him in fixing the quotas for other areas; that the quotas from Hawaii as incorrect and inexact, and known to be so by the officials of the Department of Agriculture; that the Secretary injustly discriminated against the Territory of Hawaii and the plaintiffs.

Regardless of any question as to the power of Congress to fix these quotas for Hawaii in any manner that it might deem fit under its general powers over that Territory, it would seem that this delegation of powers is not prohibited by the Constitution and are similar to those granted to the President by the Tariff Act of 1922 authorizing the President to change the classification and rates of duties established in that act upon investigation of differences in foreign and domestic costs of production. These powers were sustained by the Supreme Court in *Hampton* v. *United States* (276 U. S. 394).

The power of the Secretary to fix quotas, as far as the importation of sugar into continental United States is concerned, might arise from the power to govern the Territory itself and to make rules and regulations for its government, but I do not think that this power would extend to the fixing of a tax, not for the benefit of the Territory but for the General Government. However, so far as the delegation of power here is concerned, I think that in the light of the decisions of the Supreme Court, that power was properly delegated. Congress left to the Secretary the power to determine as the basis of the quota, the 3 years which he deemed to be the most representative for the general purposes of the act. His power was to be exercised for the purpose of adjusting production to consumption and in doing so he must have "due regard to the

welfare of domestic products and to the protection of domestic consumers, and to a just relation between the prices received by "domestic producers and the prices paid by domestic consumers."

If the powers given to the Secretary were properly delegated, then he had full discretion in ascertaining the facts upon which his actions were based, and the court has no jurisdiction to review his decisions unless they be arbitrary and palpably incorrect. Much evidence has been introduced in the trial of this case attacking the correctness of the facts found by the Secretary and to show that the data upon which he based his actions were incorrect. In my opinion the court cannot go into this question as to the means by which the Secretary arrived at his conclusions. The real question is whether his findings are so clearly unjustified by the facts as to show that this action was arbitrary. From the whole testimony I cannot find that the facts upon which it is claimed that the quotas were based have been disproved to such an extent as to show that his actions were arbitrary or even incorrect, had the court power to determine the question of mere incorrectness. It is unnecessary to discuss the evidence in detail, but I am satisfied that the quotas fixed by the Secretary were not fixed arbitrarily or were substantially incorrect.

The plaintiffs further claim that by reason of the discriminatory fixing of quotas by the Secretary, the processing tax provided for in the act will not be uniform throughout the United States.

This tax on its face is uniform throughout the United States, including in that designation those Territories to which Congress has extended the Constitution. The rate is uniform, and the mere fact that it may impose greater burdens in some localities than in others does not affect the power of Congress. The function delegated to the Secretary is to calculate the rate according to certain data, and he does not himself impose the tax.

So far as the processing tax is concerned, therefore, I think that Congress has the power to delegate this authority to the Secretary.

If the existence of an emergency be necessary to call forth the exercise of these powers of Congress, I think there is no doubt that an emergency did exist, not only in the sugar trade in the United States but also in trade and commerce in sugar with foreign countries and in commodities in general.

It is by no means clear that in view of the rise in price of sugar, due largely to the effects of the administration of the Sugar Act, that the plaintiffs have suffered any financial loss, in spite of restraints upon their exportation of sugar. In fact I think that the evidence shows that the plaintiffs will gain rather than lose by the enforcement of the act.

Upon the whole case, therefore, I think that the provisions of the Sugar Act and the actions of the Secretary of Agriculture attached by the plaintiffs do not operate to deprive these plaintiffs of property without due process of law, and the bill of complaint should be dismissed with costs.

Reply by United States Cane Sugar Refiners' Association to Letter of Delegate Samuel W. King, of Hawaii, to Chairman Jones

In letter of April 28, 1937, to the chairman of the House Committee on Agriculture, the Hawaiian Delegate, Mr. King, argued that in pending sugar legislation the restrictions imposed by Congress in the Jones-Costigan Act of 1934 on marketing in continental United States of sugar refined in Hawaii, should be removed. It will be remembered that the Jones-Costigan Act in establishing quantitative or quota limitations on production and marketing of sugar in and for the continental United States market, did not require Hawaii to reduce her previous maximum volume of refined sugar shipments to the continent, but limited her to that maximum. Although the continental refining industry was then operating at only 60 percent of capacity and the effect of the quota provisions virtually freezes the continental plants to that reduced scale of operations, the refined-sugar limitation on Hawaii permitted the existing Hawaiian refining plant to continue to operate at maximum capacity.

Mr. King's reasons for his argument were briefly:

(1) That Hawaii is "an integral part of the United States.

(2) That Hawaii has for many years paid more money in taxes into the United States Treasury than the United States Treasury has spent in Hawaii.

(3) That because of alleged "equality" of legal status the Hawaiian sugar industry should receive identity of treatment with the continent in the restrictive regimentation imposed by the quota system; and consequently Hawaii

should have the right to refine where it pleases the sugar which it produces for sale to continental consumers.

(4) That the existing restrictions of the Jones-Costigan Act on refining in Hawaii for the continental market were imposed at the instance of the eastern refineries, who in recent years have been refining and desire to continue to refine about 300,000 tons annually of Hawaiian raw sugar.

Mr. King's argument ignores the fundamental nature of the quota system. The essence of that system is that it imposes quantitative limitations on the rights of every element supplying sugar to the continental United States market. The real question before Congress in 1934 and now is not whether legal niceties of the case of each particular sugar element are treated with 100 percent identity of form, but whether the economic benefits of the quota system are fairly and equitably distributed. It is not helpful to Congress in seeking this objective, to ignore economic realities and argue alleged technical equality of legal status in an unrestricted system.

Referring to Mr. King's main argument outlined above:

(1) The joint resolution of Congress providing for annexation of Hawaii stated that it was "annexed as a part of the territory of the United States" and "subject to the sovereign dominion thereof." The act of Congress of April 30, 1930, provided that "the Constitution shall have the same force and effect within the Territory of Hawaii as elsewhere in the United States." These are the United States legislative acts which provide what legal basis exists for calling Hawaii "an integral part of the United States." The right and power of Congress to regulate and limit commerce of Hawaii with the continental United States cannot seriously be questioned. When in 1934 the Hawaiians brought suit against the Jones-Costigan Act they challenged the power of Congress to impose sugar-marketing restrictions on Hawaii different from those made applicable to the States. Having lost the case on that point, and realizing that their policy was depriving them of benefit payments amounting to some $3,000,000 per annum, they settled the matter privately with the Department of Agriculture and did not appeal the case. Mr. King says that the settlement provided that the "adjudication in the court below in said case is not to be asserted by either party in any other proceedings in this matter as the law of the case insofar as it relates to the right of Congress to discriminate against Hawaii as distinguished from continental United States." Such private arrangement cannot alter the fact that the court did hold and decide that Hawaii under the Constitution could be treated in sugar legislation of this character in a manner different from continental United States. Judge Bailey's opinion (*Ewa Plantation Company et al.* v. *Wallace*, Supreme Court of the District of Columbia, Nov. 10, 1934) reviewed various decisions of the Supreme Court, and, after pointing out that if the power of Congress over the Territories rested on the commerce clause of the Constitution, there might be doubt as to the right to prohibit importations from Hawaii into continental United States of legitimate articles of trade or commerce, then proceeded to say:

"But Congress is also given the power 'to dispose of and make all needful rules and regulations respecting the Territory or other property belonging to the United States.' Under this it has been held that its power is absolute and uncontrolled except by those elementary principles above mentioned and also, in the case of organized Territories, by the inhibitions of the Constitution. Subject to these limitation it has all the power that a State government has over its own citizens. It would seem then that apart from the commerce clause it has full power to regulate the commerce of a Territory, whether organized or not, and if necessary or expedient to lay embargoes against exports. This authority would arise, as was said in *De Lima* v. *Bidwell* (182 U. S. 196), in reference to its general powers over a Territory, 'not necessarily from the territorial clause of the Constitution, but from the necessities of the case, and from the inability of the States to act upon the subject.'

"The great distance of Hawaii from the continent, separated by the ocean, the difference in race of many of its inhabitants, the difference in manner of living, in the raising of its agricultural products, all might give rise for many grounds for legislation as to its commerce which would not apply to the continent.

"The contention of the plaintiffs that the effect of the act and of the action of the Secretary thereunder will constitute a preference of the ports of the continental United States over those of Hawaii is met by the decision

of the Supreme Court in *Alaska* v. *Troy* (258 U. S. 101)', holding that the provision of the Constitution that 'no preference shall be given by any regulations of commerce or revenue to the ports of one State over another' does not apply to the ports of even the Territories which have been incorporated into the United States.

"In my opinion, therefore, Congress has the power to limit the importation of sugar from Hawaii, and that limitation in no way deprives the plaintiffs of property without due process of law."

The soundness of the learned judge's statement of the law is not in any way affected by the fact that the parties to the cause thereafter agreed to settle their dispute and as part of their private settlement agreed (as between themselves) not to consider the Court's adjudication as "the law of the case."

As recently as May 3, 1937, the Supreme Court of the United States declared the same principle of law as had been recognized by Judge Bailey. In the *Cincinnati Soap Co.* v. *United States of America*, decided May 3, 1937, Judge Sutherland gave the unanimous opinion of the Court, and stated:

"In dealing with the Territories, possessions, and dependencies of the United States, this Nation has all the powers of other sovereign nations, and Congress in legislating is not subject to the same restrictions which are imposed in respect of laws for the United States considered as a political body of States in Union."

(2) The fact mentioned by Mr. King, that Hawaii, since annexation, may have paid an average of more than $5,000,000 a year to the United States Treasury, while the Treasury has spent an average of little more than $1,000,000 a year on the Territory, "thus leaving a direct net profit of $150,000,000 on taxes alone from Hawaii" is not only irrelevent to the issue but misleading. The figures of $1,000,000 a year is exclusive of the large expenditures by the War and Navy Departments in Hawaii. The point, if any, in the comparison depends upon the hypothesis that the United States Treasury is the Treasury of the continent and is somehow making a profit out of collections in the Territory of Hawaii. If that hypothesis is valid, it surely is also necessary to bear in mind that the money with which Hawaii paid such taxes was derived, directly or indirectly, principally from the Hawaiian sugar industry, to which the continental consumers have for years been paying an annual tribute of many millions of dollars, representing the difference between the price of tariff-protected and subsidized Hawaiian sugar in the United States over the price of sugar in the free world market. In 1936 alone, such premium for Hawaiian sugar represented some $50,000,000. If the United tates had not annexed Hawaii, the sugar which Hawaii has been selling to the United States would have been purchased from Cuba or other dutiable sources, and the many millions of dollars a year premium paid by the continent for Hawaiian sugar over the world market price would have gone directly into the United States Treasury instead of into the pockets of Hawaiian sugar companies, whence only a small part of it came back as taxes. The continental consumers of Hawaiian sugar (who are the real payers of the taxes collected in Hawaii and of Hawaii's purchases from the continent) could well be heard on the question whether Hawaii has been a financial benefit to the United States or its Treasury.

Furthermore, if Mr. King really wishes the test of preference under the quota system to be the excess of taxes paid to the National Government by a State or Territory over the Federal money expended therein, or the amount of goods purchased by the people of a State or Territory from other States, the great refining States of Massachusetts, New York, New Jersey, Pennsylvania, Texas, California, etc., far outrank Hawaii.

(3) Mr. King said, "Hawaii can only ship 3 percent of its quota of sugar in the form of refined sugar; the rest it must ship as raw sugar. This restriction does not apply to any other American producing area on the continent." He complains of "discrimination" against Hawaii.

The essence of the quota system is regimentation and restriction of the entire industry. It prescribes the total volume of sugar which may be refined in Hawaii for shipment to the continent, fixing that volume at the maximum such shipments ever made by Hawaii. It also prescribes the total quantity of raw sugar available for refining in the continent for the continental market, and in effect limits that quantity to an amount 1,000,000 tons less than the maximum heretofore so refined, thus forbidding continental plants using more than about 60 percent of their capacity. In other words, the refined-sugar features of the system, when fairly analyzed from an economic standpoint, are more liberal to Hawaii than to the continent. The "discrimination", if any, is in favor of, not against, Hawaii.

It is obvious that in complaining of "discrimination" Mr. King uses that word in the purely legalistic sense of "difference", and as above shown Congress has the right to make such discrimination. Whether there is any discrimination in fact, in the sense of unfair treatment, depends upon impartial consideration of the whole sugar problem and how the different elements thereof are treated. The fundamental indisputable facts are that the quota system under the act of 1934 greatly increased the financial returns of the already prosperous Hawaiian sugar industry but decreased the returns of the continental refining industry. In the period 1934 to 1936 the Hawaiian sugar industry averaged 9.3 cents on its capital and surplus; the continental refining industry averaged only 1.83 percent. The returns of the Hawaiian industry are due to the tremendous premium paid by the American public under the quota and tariff system for Hawaiian sugar (the premium amounts to 2.561 cents per pound in 1936), where as the continental refining industry receives no quota premium or tariff protection whatever. In asking removal of refined sugar restrictions on Hawaii, Mr. King in effect asks that the regimentary quota system still further injures continental labor in existing plants, for the benefit of the already prosperous Hawaiian industry and of labor already employed, and chiefly of Japanese racial origin.

(4) Mr. King says that "the eastern refineries in their desire to prevent equal treatment for Hawaii have concentrated their attack on refined sugar from Hawaii." He describes the great subsidized sugar corporations of Hawaii as agricultural producers, dresses them up as farmers, and charges the continental refiners with in some way blocking the Hawaiian ambition to make even more money out of the continent.

The objection to lifting the restriction on refining in Hawaii for shipment to the continent is not made only by eastern refineries. Everyone knows that such objection is made by the beet sugar industry, by the Louisiana sugar industry, and by all continental cane refineries, located in nine States—northern, southern, eastern, and western—with the single exception of one continental refinery owned by the Hawaiians themselves, situated at Crockett, Calif. The combined and closely controlled Hawaiian sugar industry now refines about two-thirds of Hawaiian total raw sugar production at its jointly owned refinery at Crockett. That plant is big enough to refine practically all their sugar. No one objects to the Hawaiians refining all their sugar, if they wish, at Crockett or in any other continental plant they or anyone else may choose to build or acquire. What the continent contends is that under the quota system of restriction and regimentation, the highly subsidized, highly prosperous Hawaiian sugar industry, supported as it is by the consumers of the continent, should not be allowed, in violation of the principles of the quota system (under which the Hawaiian industry is given a highly profitable monopoly share of supplying raw sugar to the continental market) to displace continental labor and business volume by building unnecessary new plants expanding refining in the islands. No brief is held for any specific existing continental plants. The Hawaiians and any other interest can build or buy continental plants if they choose.

As Mr. King himself says, sale and shipment of Hawaiian raw sugar in substantial quantities to the Atlantic coast refineries was a policy freely chosen by the Hawaiian producers themselves. The Atlantic refineries could not, if they had wished, have forced them to do so. Under the existing restrictions, the Hawaiians are perfectly free to refine all their sugar themselves, provided they do it on the continent and thus abstain from displacing continental labor, while continuing to reap the great profit from the subsidies which the continent pays them. It is untrue and unfair to say that any existing refineries have a "monopoly" on purchasing or refining of Hawaiian sugar.

Mr. King says that the Hawaiians do not intend to abandon their refinery in California. But they themselves admit they have already taken 300,000 tons of business from that refinery, and the fact remains that if all restrictions on Hawaiian refined sugar shipments are removed, they will be free to remove all their refining from the continent, to the great injury of labor in existing plants, including that in California.

Mr. King refers to the Hawaiian-owned refinery at Crockett as if it were an agricultural cooperative enterprise. Technically it is organized (possibly for tax-saving reasons) in cooperative form, but the owners are not farmers. They are the thirty-odd very rich corporations which own the Hawaiian raw-sugar mills, and which are in turn dominated by the five closely controlled and interlinked "factors", sugar management or holding companies which own or run most of the economic life and business of Hawaii. That sort of picture is

not what the Department of Agriculture has in mind when it promotes cooperative marketing by and for farmers. It is about as far from that as would be the great packers—Swift, Armour, and Wilson—owning some cattle ranches, and at the same time setting up a joint "nonprofit" unified selling agency in New York to handle shipments and sales of their meats.

Senator VANDENBERG. I would like to ask a question. Are you familiar with section 201, the price-control section of the bill?

Mr. BUNKER. I am not very familiar with that, Senator.

Senator VANDENBERG. Not sufficiently to explain to me how it would work?

Mr. BUNKER. No; I am not.

Senator VANDENBERG. Perhaps I can get somebody in the course of the day who can.

Senator CAPPER. What is the difference between the amount paid labor in Hawaii and the amount paid in the United States?

Mr. BUNKER. Our minimum rate is close to $5 a day, Senator, and I think the minimum in Hawaii is something under $2 a day. In Puerto Rico it is 85 cents a day. In Cuba I think it is $1.10.

Senator DAVIS. Are the hours the same in Hawaii and Puerto Rico as they are in the United States?

Mr. BUNKER. So far as I know. I cannot answer that directly, but I think the figures I have given are for an 8-hour day in each case.

Senator KING. Of course, you are speaking only of refiners?

Mr. BUNKER. That is correct.

Senator KING. And not of agricultural labor?

Mr. BUNKER. That is right.

The CHAIRMAN. All right, Mr. Bunker.

Mr. BUNKER. May I ask permission to answer one or two things that Mr. Greene said?

The CHAIRMAN. Yes; but your time is very much exhausted.

Mr. BUNKER. I am sorry. Mr. Greene referred to the fact that there was only one buyer for Hawaiian raw sugar. Of course, they are free to sell their sugar anywhere they want to, and it is not true that there is only one buyer for Hawaiian raw sugar in the East.

Senator KING. Did he not state that it was the 300,000 tons that was shipped to the East, that had to be sold to the refiners?

Mr. BUNKER. Yes. Well, there are a good many refiners they can sell to. They have perfect freedom to sell to any refiner that they wish, and as far as the labor involved in that 300,000 tons, it would not be 300 but nearer 900 or 1,000 men directly, and as many more indirectly involved.

Thank you.

The CHAIRMAN. All right. The committee thanks you.

Mr. Staples.

STATEMENT OF P. A. STAPLES, PRESIDENT, HERSHEY CORPORATION

The CHAIRMAN. You may proceed.

Senator LONERGAN. I beg your pardon. I notice it says here, "President, Hershey Co. of Cuba." Is that a United States company?

Mr. STAPLES. An American corporation, Senator.

Senator LONERGAN. Who owns the stock?

Mr. STAPLES. All of the stock is trusteed for the benefit of the Hershey Industrial School of Hershey, Pa., which has at this time about 1,000 orphan boys from all parts of the United States and which is increasing, so I imagine you would say the stockholders are really the orphan boys.

Senator CLARK. Mr. Staples, you said it was an American corporation. It is organized under the laws of what State?

Mr. STAPLES. Delaware.

The CHAIRMAN. All right, Mr. Staples, you may proceed.

Mr. STAPLES. Gentlemen, I appear before you as president of Hershey Corporation which has developed and which operates at Central Hershey, Cuba, the largest cane-sugar refinery in the island. During the World War emergency Mr. M. S. Hershey went to Cuba in response to the urging of the United States Government that American capital aid in the development of Cuban sugar production in order to establish an accessible and dependable source of sugar for the American consumers.

The Hershey development in Cuba represents an investment of upward of $40,000,000 of private American capital, which, due to ever-increasing restrictions, has produced very little income. I mention this ownership because I feel that the American beneficiaries of our company should have from their Government equal consideration with the shareholders of the domestic sugar-refining companies in whose special interest certain industrial provisions have been arbitrarily injected into the bill now before you.

There are just two fundamental points I wish to emphasize. The first is the relation of Cuba to the United States. The other is the reason why a simple, a tested and a generally acceptable program for agricultural legislation has been distorted into a prolonged and increasingly bitter controversy. I hope we shall agree on both the cause and the cure.

What, then, is Cuba? During the last few days here in Washington I have heard her described both as some sinister force sapping the prosperity of our Nation and robbing Americans of their jobs, and as the pampered pet of an over-generous Uncle Sam. Does either of these descriptions square with the record? Does Cuba come as a suppliant, or does she offer something substantial in return?

In 1936 Cuba paid directly into the Treasury of the United States $36,000,000 in sugar duties alone, without displacing a single pound of our continental sugar production.

Senator VANDENBERG. What year was that?

Mr. STAPLES. 1936.

Senator VANDENBERG. How much would it have been if the tariff had not been twice revised? How much would she have paid in that time?

Mr. STAPLES. She would have paid nearly $70,000,000 to $80,000,000.

Senator CLARK. She receives American protection to the extent

Mr. STAPLES. No, and this is what I did not understand. As far as I can see from the records, the beet people have never used their quota. They may have—no; I do not think they have used their quota. It is a problem I do not get through my head. I noticed that the Senator from Michigan, who made that point, said he had three of his factories shut down. I do not see that problem at all, for on the other hand I know we in Cuba had a distribu-

tion last year of a portion of the beet quota. I do not get the connection. I am sorry I cannot explain because I cannot comprehend it.

Senator VANDENBERG. If your tariff production has been cut from $70,000,000 to $38,000,000, you have not been treated too badly, have you?

Mr. STAPLES. No; but I think on the other hand it is not all on one side. The treaty was a two-way treaty, and if the treaty is a reciprocity treaty you must give as well as take.

Senator KING. We do not want it to be a one-way treaty.

Mr. STAPLES. Oh, it is impossible, sir.

Senator KING. We do not want to operate one-way streets in transactions with other nations.

Mr. STAPLES. I agree with you, sir.

Senator BROWN. That $36,000,000 was, of course, first collected from the American consumers of sugar and paid or repaid to the American Government?

Mr. STAPLES. No, sir; I would not say that at all, for this reason. Today the price of raw sugar—we will use that as a basis—is $3.50 in the United States. Cuba only receives $2.60. Therefore it comes out of the Cuban producer. Is that clear, sir?

Senator KING. If the tariff has been reduced as suggested by the senior Senator from Michigan, and carrying out the philosophy indicated, if I understand the question that was put to you by the Senator from Michigan, it would mean that if you had a high tariff you would mulct the American people that much more.

Mr. STAPLES. No. That is an impossible construction, and I assure the Senator from Michigan there would be no automobiles or any other manufactured articles produced in the State of Michigan that would be purchased in the island of Cuba. That was proved in 1932 and 1933, very, very definitely. I can give you these figures, either in a memorandum or I have them, I think, in my bag here.

The CHAIRMAN. All right, Mr. Staples, proceed with your statement.

Senator DAVIS. Does the Hershey Co. refine their own sugar in Cuba?

Mr. STAPLES. Yes, sir. We started right at the start. We did not have a bone-char plant at the start, but we started to make what I understand was called "Louisiana plantation white", because we believe the economical way of making sugar is to start with the cane and go right through to the refined, just the way the beet people start at the beets and go right through to the refined sugar. In other words, we have no intermediate industrialists taking out a profit. I believe that is to the benefit of the consumer.

Senator DAVIS. How many people do you employ at the refinery?

Mr. STAPLES. In our refinery? We cannot distinguish between the refinery and the other operations, because they are all tied together. For example, we have a railroad system which would be of absolutely no value if our refinery business went out of the picture, but I should say that I cannot estimate that, because I cannot even think of it.

Senator DAVIS. Can you give me an estimate of the number of employees in all of the Hershey activities?

Mr. STAPLES. Yes, sir. Not including any agricultural employees, I should say it might, during certain periods of the year, run between 3,500 and 4,000.

Senator DAVIS. What is the difference between the wages in the Hershey factory in Pennsylvania, for those doing what we might term the common labor, and the wages which you pay in Cuba?

Mr. STAPLES. I am not familiar with the wages paid in Hershey, Pa., except that it is the highest in the industry. I really do know that. But in Cuba, our common-labor base wage in the refinery is $1.60, which is now $1.70, because our labor scale goes up as the price of sugar goes up. The common labor runs now from $1.70 to $2.10 in our refinery.

Senator VANDENBERG. For how long a day?

Mr. STAPLES. An 8-hour day, sir. And in addition to that we give 14 days' vacation with full pay for every man as soon as he has worked a year, irrespective of whether it is in the year or not. That is based on some two thousand-odd hours.

Senator CAPPER. How does that compare with the wages paid by the refineries in the United States?

Mr. STAPLES. I am not familiar with that, sir. I live in Cuba, and I just came up here. It is lower, sir, I can tell you that.

Senator CAPPER. Undoubtedly.

Mr. STAPLES. There is no question about that, sir, but the labor question in the refining of sugar is really a very minor question.

Senator DAVIS. It was stated here just a moment ago that the minimum wage in the American refinery is $5 for an 8-hour day.

Mr. STAPLES. That is true. Ours right at the present time is $1.70 to $2.10. Then our semiskilled is $2.10 to $5.10 and our skilled runs from $5.10 to $8.10. I am putting that on the present price of sugar, because that varies. As sugar goes up and the scale of prices increases a percentage on certain sugar prices; in other words, it does not all go to the increase in the value of sugar, it does not all go to the producer, but increases the consumer power to the Cuban worker, which reacts to the benefit of the United States.

Senator KING. I suppose there is some relation between wages and cost of living, and the cost of living is very much less in Cuba than it is in Pittsburgh, for example?

Mr. STAPLES. Yes; there is no doubt about that.

Senator DAVIS. Is the machinery you have in your refinery in Cuba as modern as the machinery that would be found in refineries in this country?

Mr. STAPLES. It is more modern, sir, I should say, because it is the last bone-char refinery built.

Senator DAVIS. Is your production per capita greater in Cuba than it is in the refinery here?

Mr. STAPLES. That I could not answer. I should say it is probably a little more. No; I should say, on account of our labor conditions, the labor undoubtedly is not as efficient, that the production per capita would probably be a little less. From the efficiency standpoint it is possibly more; that is, the efficiency of machinery standpoint, it is more; from the standpoint of the efficiency of labor it is undoubtedly less. That, I am not just able to state exactly.

That in itself is no small initiation fee for the privilege of doing business with the United States, and on top of it Cuba spent some $65,000,000 in our markets. She not only drew on our great cities for automobiles, radios, textiles, steel products, lumber, and other manufactures, but she went to the plantations of our South and to the

farms of our prairie States and bought rice, wheat, lard, pork, and other products. Such is 1 year's visible return to the United States from the two-way trade treaty with Cuba, and this year it will be substantially higher.

Is it not plain common sense to cultivate and not to offend a customer of this sort? Yet the bill now before you would actually reduce the present Cuban direct-consumption quota by 19 percent of the quota effective last year. This is proposed in the interest of the domestic refining industry, whose volume would thereby be increased only 2 percent. If the Sugar Trust is in such a desperate condition as it would lead Congress to believe it is, an increase of 2 percent in gross volume is not going to be its salvation; and certainly this increase is not going to solve America's unemployment problem.

Considered from a national viewpoint, the meager benefits to a small group of industrialists here, which would result from this 10-to-1 deal against so good a neighbor and customer as Cuba, would seem hardly to justify approval by Congress.

Furthermore, if this cut to 375,000 short tons is adopted, Cuba will be singled out for the dubious honor of being the only nation so treated. England can put her sugar quota into the United States in any form she pleases. So can every other foreign nation. But Cuba, the largest single source upon which the American people depend for the sugar they need and the nearest, and by far the largest, customer of ours among the nations supplying us with sugar, is not only told in what form she must send us her sugar but is actually reduced in quota at a time when American consumption is bound to increase.

Senator KING. What is the reduction imposed upon Cuba in this bill?

Mr. STAPLES. 19 percent, sir.

Senator KING. 19 percent?

Mr. STAPLES. Under last year's the reduction amounts to 87,000 tons.

Senator KING. Then we are not carrying out the terms of the Jones-Costigan bill?

Mr. STAPLES. No, sir.

In this connection I am confident that the Senate, which is charged with supervision of our foreign affairs, will give due weight to the fact that Cuba is the testing laboratory in which the other republics of the Western Hemisphere are determining what they can actually expect in the practical working of our "good-neighbor" policy. The success of that policy is founded on the good faith of our Nation.

Senator VANDENBERG. You mean our "good-neighbor" policy is a matter of dollars and cents?

Mr. STAPLES. Well, it has got to be two ways, Senator.

Senator KING. There can be a "good-neighbor" policy aside from a material concept, I suppose?

Mr. STAPLES. Yes, sir; I agree with you.

Senator KING. And spiritual and moral as well as purely dollars and cents.

Mr. STAPLES. Spiritual and moral; yes, sir.

Senator VANDENBERG. I have not heard about that.

Senator KING. Well, probably Republicans seldom do hear about those things. It is the material rather than the spiritual.

Mr. STAPLES. This brings me to the second fundamental point. As I see it, the reason why the sugar-stabilization bill has been stalled for 5 months is that this farm measure has bogged down under the extraneous provisions which give special privileges to an industrial interest that has been unable to get what it wants through direct and open means. I refer to the artificial device of direct-consumption sugars, as unnatural group of raw, semi-refined and refined sugars whose only point in common is that they would otherwise escape the clutches of the Sugar Trust.

This quota-within-a-quota scheme benefits only the industrial group of domestic cane refiners at the expense of the sugar industries in all the offshore producing areas and especially in Cuba, where a refining industry is already well established. Naturally, the offshore producers have fought and will continue to fight it. We deplore this effort of an industrial group to ride over us by means of a farm bill, and we are quite ready to meet them on fair ground and have the United States Tariff Commission or Congress decide on its merits the question of continental versus offshore refined cane sugar. We are not opposing the objectives of the farmers. We are protesting the industrial features which have been arbitrarily injected into their bill.

We ask only that these industrial features be eliminated. All that is required is to strike out of the bill now before you every reference to direct consumption sugars. That is a perfectly simple and bloodless operation which would strip the false colors from the bill and leave it effective for its original and basic purpose.

The fact that the present Jones-Costigan Act contains the direct-consumption quota scheme is a dangerous precedent for the Sugar Trust to cite. This act is a temporary measure which was enacted to meet an emergency. In fact, the law automatically expires at the end of this year.

Now there is no longer an emergency. Now we can see that this monopolistic group is using the "D. C." quota scheme as an entering wedge to legislate out of existence all competition from offshore refined and thus further to advance the monopoly which Congress, the courts, and the United States Tariff Commission have repeatedly refused this small, cohesive combination of industrialists.

The Sugar Trust has publicly announced that all Cuban refined sugar should be shut out of the United States. To accede to its present demand for a cut in the Cuban quota would be a further step toward the objective and would leave defenseless the innocent bystander—that forgotten man in this whole controversy, the great consuming masses. It would open a veritable Pandora's box to plague the American people in their fight against monopoly at home and in their program to expand markets abroad.

Gentlemen, I thank you. With your permission, I will file a supplemental statement, which I shall greatly appreciate your having copied in the records of this meeting.

The CHAIRMAN. It may be copied in the record, without objection.

SUPPLEMENTARY STATEMENT BY P. A. STAPLES, PRESIDENT, HERSHEY CORPORATION

For more than 5 months an important part of the administration's program to rehabilitate American agriculture has been paralyzed by a sit-down strike engineered by an industrial group that is attempting to use this agricultural

bill as a vehicle to gain special privileges and thus to further its monopoly in an essential food.

Believing that the American people should recognize this situation for what it really is and deal with it accordingly, I ask you to consider a few questions.

They are based on the fact that during the 3 years that the Jones-Costigan Sugar Stabilization Act has been in effect, it has demonstrated to the sugar trade that—

(*a*) A quota system for raw sugar is an effective means of protecting the interests of our continental sugarcane and sugar-beet growers and of stabilizing production in the offshore areas upon which the American consumers necessarily depend for two-thirds of their sugar supply. As a result, the various producers, both continental and offshore, again enjoy a reasonable prosperity.

(*b*) The superimposing on this agricultural scheme of special privileges for the wholly industrial function of refining raw sugar, may have been politically expedient in getting emergency legislation enacted 3 years ago; but it just does not stand up under public scrutiny, now that the emergency has passed. If this were not so, Congress would have enacted a bill long before this, and the American cane and beet farmers who are now beginning to harvest their crops would know exactly where they stood.

Bearing in mind that the administration wants legislation which will continue and further strengthen the agricultural features of the emergency Jones-Costigan Act but that, through three Cabinet members, it is definitely opposing the extension of any provision for the industrial function of refining, I believe the following questions are in order:

1. *Are the beet farmers protected?* Yes; the beet-sugar quota in H. R. 7667 is not less than 1,549,898 tons. The average production for the period 1932–36 was 1,420,700 tons.

2. *Are the cane planters protected?* Yes; the Louisiana-Florida quota in the same bill is not less than 420,166 tons as compared with an average production of 318,870 tons in the period 1932–36.

3. *Is offshore refined a threat to domestic cane and beet producers?* Absolutely not. These producers are given, through the quota system, first call on supplying America's sugar needs. What they cannot provide must be brought into the country. It can make no difference to them in what form this balance comes in from Cuba and other offshore areas.

4. *Are the domestic refiners producers of sugar?* They are not. They merely take a so-called raw sugar which is edible and turn it into white, granulated sugar. They are food processors, not food producers.

5. *Are the domestic refiners true friends of the farmers?* By the very nature of their business they cannot be. Their profits demand on their buying raw sugar—a farm product—at the lowest possible price. To this end their refineries are all located on the waterfront in the great seaboard industrial centers where they can bring cargoes of raw sugar from outside continental United States right up to their plants. If the sugar beet and the Florida and Louisiana cane growers were not protected by tariff and by quotas, the domestic cane refiners would buy all their raw sugar from overseas; and our continental farmers would have no market for their produce.

6. *Are the domestic refiners important employers of labor?* In 1935, the last year for which the Government has published figures, all the refineries in continental United States employed only 13,852 persons for labor and superintendence in refining cane sugar. Yet these refineries process 85 percent of all cane sugar used in this country. This labor is concentrated in a handful of great seaports, New York being the refining center of the United States.

7. *Are the domestic refiners true friends of the consumers?* The Sugar Trust fight was one of the earliest and most conspicuous in America's traditional opposition to monopoly. For the nearly half a century since that first case, our courts have ruled time and again against persistent attempts by the refining companies to control the housewives' sugar bowl. As recently as 1930, the United States Supreme Court sustained the conviction of the Sugar Institute, trade association of the domestic refiners, for monopolistic practices on 40 separate counts.

8. *What are "direct-consumption sugars"?* As used in the proposed bill, "Direct-consumption sugars" are all offshore sugars—raw, semirefined, and refined—which do not pass through the hands of the domestic refiners and from which the Sugar Trust, therefore, cannot exact a profit. This arbitrary and unnatural category was unknown to the sugar trade until 3 years ago. It is a device for segregating all the Sugar Trust's competition, both direct and indirect. Once segregated, this competition can then be strangled through

progressive reductions in the direct-consumption quota until the Sugar Trust gains a complete monopoly. Proof of this is demonstrated in the present attempt further to reduce the Cuban quota.

9. *What would be the result of the proposed reduction in the Cuban "D. C." quota?* It would reduce by 20 percent the amount of refined sugar which Cuba could sell in the American market. In so doing it would increase by only 2 percent the volume of the United States refiners' business. Thus a natural and an established Cuban industry, developed largely by American capital, would be seriously crippled for no appreciable aid to American employment but merely to tighten up another notch the stranglehold of an industrial monopoly in the United States. Quite aside from its domestic implications within the United States, such a reduction would offend the spirit of our commercial treaty with Cuba and would seriously impair our prestige throughout Pan America.

10. *Do "D. C." quotas belong in an agricultural bill?* Absolutely not. Their purpose is to give special privileges to the domestic refiners who are industrialists pure and simple. Their injection into the pending legislation is what has caused the confusion, opposition, and delay in the enactment of a sugar-stabilization measure.

11. *Is it too late to take out the "D. C." quotas?* No. An amendment eliminating from the pending bill all references to the direct-consumption sugars would be a perfectly simple and bloodless operation which would not disturb in any way the structure and the fundamental objective of the sugar bill.

12. *What should the domestic refiners do?* If the domestic refiners feel that they need special protection, they can proceed through proper and well-established channels open to all American industries. They can appeal to the United States Tariff Commission or they can ask Congress for special legislation. In either event their case can be considered and decided on its merits without confusing and jeopardizing the legislative program for the stabilization of sugar production.

13. *Why don't they do just this?* Because they know from experience that their case will not stand up on its own merits. It is for this reason that they are attempting to hitch-hike on the farm-relief wagon, although the American farmer presumably is fed up with carrying the city industrialist on his back.

14. *What can Congress do?* Keep faith with our courts; previous Congresses, both Republican and Democratic; the United States Tariff Commission; the American people; the President's "good neighbor" policy by striking out of the sugar bill all references to direct-consumption sugars and thus enacting it as the agricultural measure it is designed to be.

The CHAIRMAN. Mr. Thomas Austern.

STATEMENT OF H. THOMAS AUSTERN, REPRESENTING THE CUBA DISTILLING CO., THE ALCOHOL INSTITUTE, AND THE MANUFACTURING CHEMISTS ASSOCIATION

The CHAIRMAN. Mr. Austern, you have 15 minutes.

Mr. AUSTERN. My name is H. T. Austern, of Washington, D. C. I am appearing on behalf of the users of blackstrap molasses, in opposition to the so-called Lucas amendment, p. 26, lines 9 to 12 in H. R. 7667.

Senator CLARK. Who is the Cuba Co.?

Mr. AUSTERN. The Cuba Distilling Co. is a molasses-importing company.

Senator CLARK. What is the Alcohol Institute?

Mr. AUSTERN. The Alcohol Institute is an association comprising about 80 percent of all the production of industrial alcohol.

Senator CLARK. They make industrial alcohol out of blackstrap?

Mr. AUSTERN. Yes.

Senator CLARK. Who is the Manufacturing Chemists Association?

Mr. AUSTERN. The Manufacturing Chemists Association is an association of companies which manufacture chemical products.

Senator CLARK. Is the Cuba Co. an American corporation?

Mr. AUSTERN. Yes, sir.

Senator CLARK. It is organized under the laws of what State?

Mr. AUSTERN. I do not know. I am appearing also on behalf of the National Paint, Varnish, and Lacquer Association, and the Cellulose Plastics Association. Both of those groups are large consumers of industrial alcohol.

I am appearing in opposition to the retention in H. R. 7667 of the so-called Lucas amendment.

The CHAIRMAN. That was put in in the House, was it not?

Mr. AUSTERN. That was put in in the House, on page 26, lines 9 to 12.

With your permission, Mr. Chairman, I will briefly discuss this amendment.

Senator CLARK. What are the lines?

Mr. AUSTERN. Lines 9 to 12 on page 26.

Senator CLARK. Beginning, "notwithstanding the foregoing exceptions."

Mr. AUSTERN. Yes, sir; that one sentence. I would like to indicate how this amendment places a tax on the use of waste inedible molasses for the manufacture of industrial alcohol and is unrelated to the purposes of the bill, and secondly, how it will not benefit the corn farmers it is said to help, and the resulting injury which it will do to a vital industry and to the very sugar producers that the bill is designed to aid.

First, Mr. Chairman, let us see exactly what the amendment is. The bill before you is a white-sugar, that is an edible-sugar, control bill. It imposes quotas and it imposes a tax. The tax is imposed by section 402, over on page 27, and it is levied on manufactured sugar, as that term is defined on page 26, subsection (b).

As it appeared in the original bill in the House, and in the O'Mahoney bill, S. 2706, this definition excluded blackstrap molasses; that is, waste inedible molasses for industrial purposes. That is, a molasses not for human consumption or for the extraction of sugar.

Without lines 9 to 12, the definition as it appears on page 26 will exclude waste molasses for industrial purposes. Now, Mr. Chairman, to save time I will use the term "blackstrap molasses" to include three of these waste inedible molasses. As you know, there is in the milling of raw sugar a waste residue, a black, gummy, viscous substance, wholly inedible. There is a similar product in the manufacturing of beet sugar, that is called beet molasses. Likewise in the ultimate refining of cane sugar there is a waste, viscous, gummy, residue byproduct, wholly inedible that is called refiner's blackstrap. Now, I will use the term "blackstrap" to include all three.

Now, gentlemen, prior to 1905, these waste molasses were wholly waste. They presented problems in disposal, health problems occasioned by running them into the rivers. It was a very serious public health problem, but since 1905 uses have been found for them. In the first place, about 100,000,000 gallons a year are used in the manufacture of cattle feed. Its use there is similar to the use of table sirup on flapjacks. The second and most important use, and the one with which we are concerned this morning, is in the manufacture of industrial alcohol.

Now, it is hardly necessary for me to detail to this committee the importance of industrial alcohol in our national economy. You know that it is essential in the manufacture of anesthetics, medicine, hospital supplies, foods, toilet articles, paints, varnishes, lacquers, inks, mirrors, fertilizers, glass, lubricants, shoe polish—I could go on—artificial silk, tobacco, photographic materials. There is hardly a Congressman or a Senator who does not have in his constituency some business in which the industrial alcohol is essential.

Senator CLARK. Mr. Austern, under the law passed by Congress at the last session, you can also use blackstrap molasses to make whisky, can you not?

Mr. AUSTERN. I would like to touch on that in a moment, sir.

Senator CLARK. All right.

Mr. AUSTERN. I have given you the statistics on that.

Senator CLARK. There is a difference between that and industrial alcohol?

Mr. AUSTERN. I am not discussing beverage alcohol, Senator.

Senator CLARK. I am. That is the point.

Mr. AUSTERN. I am coming to that in a minute. About 40,000,000 gallons is used in antifreeze in our automobiles. I would like to file with the committee these few pamphlets prepared by the Treasury Department, which illustrate the importance of industrial alcohol.

The CHAIRMAN. Without objection, they will be received.

Mr. AUSTERN. Now, this blackstrap molasses that I am talking about, this inedible product, is separately classified for tariff purposes as "molasses imported not to be commercially used for the extraction of sugar or for human consumption." It is separately classified. Now, gentlemen, from the very beginning of sugar control this waste, inedible raw material for industrial use has been separately treated. The proposed sugar-marketing agreement, the forerunner of the Jones-Costigan Act, excluded blackstrap molasses for a cattle feed and for industrial purposes.

The distilled-spirits marketing agreement, the forerunner of present beverage legislation, specifically differentiated and excluded molasses for industrial alcohol.

In 1933 the Secretary of Agriculture conducted a hearing to determine whether blackstrap molasses competed with corn and should have a compensating tax, and his conclusion was that it did not economically compete, and he did not impose a compensating tax.

As already noted, the Jones-Costigan Act, the legislation of which H. R. 7667 is a successor, specifically exempted these waste molasses from both the quota and the tax provisions. Now, curiously enough, gentlemen, the bill now before you, as passed by the House also excludes these waste molasses from quota provisions. On page 18, at the top of the page you will see that these waste molasses for industrial alcohol and cattle feed are not counted in the quota, but at the last minute the House passed this so-called Lucas amendment. It did not appear in any draft, and there have been a great many drafts of this sugar legislation. It was not considered in any of the hearings, and the House committee report gives no reason why it was included.

Representative Lucas, its sponsor, has said informally that "it would place molasses on a parity with corn and aid Middle West corn growers", a statement which is utterly without foundation. Now, let us see why, briefly.

The Lucas amendment places a tax of about 3.15 cents on every gallon of molasses. I have given to the committee a sheet on which all of these figures are stated quite clearly.

Now, 2½ gallons of molasses makes 1 gallon of alcohol, so that the tax amounts to about 7.8 cents a gallon on industrial alcohol. The Lucas amendment will not increase the use of corn by one bushel for industrial alcohol, because this industrial alcohol can be made in three ways. It can be made from this waste molasses; it can be made synthetically from byproducts of petroleum gases; and calcium carbide.

Senator DAVIS. Are not the carbide companies here in the neighborhood, in West Virginia, carrying on an experiment on that now?

Mr. AUSTERN. As I will show in a moment, it is far beyond the experimental stage. They are now making millions of gallons. You have the figures in front of you, Senator. It also can be made from corn or any other cereal grain. At the present time, the bulk of it is made from these waste inedible molasses on the Atlantic seaboard.

The price of that molasses is 7 cents f. o. b. Atlantic seaboard, duty paid. I believe the price ranges from 6 to 7, but for the purpose of a perfectly unquestionable example, I will take 7 cents. Now, since 2½ gallons of molasses make 1 gallon of alcohol, the raw-material costs for a gallon of alcohol is thus 17.5 cents if you use molasses. Under the Lucas amendment the tax would be about 8 cents a gallon on alcohol, so that the raw-material costs of industrial alcohol would be between 25 and 26 cents a gallon of industrial alcohol. Now, what would happen with corn, if corn were used? A bushel of corn yields 2½ gallons of industrial alcohol. Today corn is selling at about $1.10 to $1.15. The future price is 70 cents, December and September futures, about 70 cents. To this we must add the freight from the Corn Belt to the Atlantic seaboard, so that the raw material cost at today's corn prices would be 52 cents for a gallon of industrial alcohol, or at the future price would be 34.5 cents.

Senator CLARK. In that case you would not have any competition from alcohol made from corn, so you need not be concerned about that, according to your own figures.

Mr. AUSTERN. If that were true, sir, I would stop at this point, but there is another part of the story which I think will answer your question.

Senator DAVIS. What does it cost to make alcohol from oil?

Mr. AUSTERN. I will come to that in a moment, sir, if I may. Now, Mr. Chairman, even with 50-cent corn, which certainly nobody in this room wants to see, still not one bushel of corn would be used for industrial alcohol.

The reason is that there is the certainty of synthetic production. Even with molasses selling at between 6 and 7 cents, and even lower in the past, it is perfectly possible competitively to make industrial alcohol synthetically from calcium carbide, from these waste gases from petroleum cracking plants, or natural gas. The percentage of ethyl alcohol manufactured synthetically has increased 500 percent since 1933. I will give to the committee a table showing production of synthetically made ethyl and methyl alcohol, and you will see that it has gone up from 3,000,000 to 16,000,000 gallons since 1930; methyl from 7,000,000 to 25,000,000. Methyl has increased 350 percent.

Gentlemen, this is not our conclusion that synthetic production will follow if the price on molasses is increased, and this tax increases it 50 percent. In 1932 the Treasury Department stated, in its pamphlets, Facts About Industrial Alcohol Uses, in reply to the question, "How would the alcohol industry be affected if blackstrap molasses, now used as a raw material, should be unobtainable at a reasonable price?" And the Treasury Alcohol experts said in 1932:

> Alcohol could be produced synthetically. Alcohol is now being produced synthetically on an extensive scale. Expert opinion holds that if the cost of production is no greater than in the fermentation process now being used, the quantity that can be produced synthetically is only limited by the quantity of coal and petroleum oils available.

The result will be that if this tax is imposed there will be no corn used, because corn would have to go down to about 40 cents in order to compete even with molasses with this tax added, but if those people can produce and, by the way, increase the production of synthetic alcohol with molasses at between 5 and 7 cents, it is perfectly obvious what will happen will be an increase in synthetic production.

The result will be that there will virtually be no market for this waste inedible molasses which is a necessary byproduct in cane and in beet production. This will raise problems of waste disposal in every sugar-producing area.

Senator HERRING. How do you arrive at the factor of the cost of the corn, that you gave?

Mr. AUSTERN. You have to add the freight, sir, from the Corn Belt to the alcohol plants.

Senator CLARK. They might make some of it out in the Corn Belt.

Senator HERRING. Yes; they might. Many of them might.

Mr. AUSTERN. They might, but they would have to discard the alcohol plants now located on the Atlantic seaboard, on the Pacific seaboard, and at New Orleans. If you want the statistics on where those plants are located, I will be glad to furnish that information.

Senator CLARK. They are only located there because of access to the black-molasses market, is not that correct? The Atlantic seaboard is not in the American sugar-producing section, and there is no reason for them to be located there except with regard to access to the Cuban market, is not that correct?

The CHAIRMAN. Have you got the figures there, eliminating the question of freight rates?

Mr. AUSTERN. I have them set up, sir, right on the sheet in front of you. In answer to the Senator I would like to request that you examine this sheet, in which I have set forth where these waste materials come from, and you will discover that it does not all come from Cuba; 68,000,000 gallons are produced right in the United States. In addition to that, we get 18,750,000 gallons from refiners' blackstrap, this byproduct of our American refining process. We get 56,300,000 gallons from Hawaii and Puerto Rico, and our total imports of blackstrap are 209,000,000, and I think something over 100,000,000 to 140,000,000 comes from Cuba.

Senator CLARK. But that is the only reason for the location of these alcohol plants on the eastern seaboard, is it not, access to Cuba?

Mr. AUSTERN. Obviously, Senator, that is the reason why they were located, and here you have an amendment designed to aid the corn

farmer, the result of which will be the dislocation of the industrial alcohol business, no increase in the use of corn, unless corn gets down to about 30 cents, and even if corn got to 30 cents, they would go into synthetic production, because synthetic production can compete with 6-cent molasses, and is increasing.

Senator KING. What percentage of the industrial alcohol is consumed in what might be denominated the industrial section of the United States, which would be along the Atlantic coast?

Mr. AUSTERN. I would say, Senator, that the bulk of it is, because the chemical manufacturing industry is probably centralized east of the Mississippi.

Senator VANDENBERG. How much industrial alcohol is made from corn right now?

Mr. AUSTERN. I will give you those statistics. In the fiscal year 1936, the sources of ethyl alcohol manufactured from grain, which includes all corn, was 7.04 percent manufactured from corn.

Senator VANDENBERG. If the price differential is so staggering, how did they ever sell it?

Mr. AUSTERN. The reason for that is that that alcohol that is denominated "produced from corn" is produced in part as a by-product operation in the manufacture of other chemicals from corn, particularly butanal, and if you will examine these Treasury Department statistics you will see that in setting up those grain figures as the source of industrial alcohol they mention the fact that ethyl alcohol is a byproduct in these cases. You get alcohol not only directly but you get it as a byproduct.

The CHAIRMAN. Well, thank you very much.

Mr. AUSTERN. I might conclude with another paragraph, sir if I could.

The CHAIRMAN. All right.

Mr. AUSTERN. After you examine this you will see that you will decrease the purchasing power in all beet-sugar-producing areas. You will upset our trade with Puerto Rico, with Santo Domingo, with Hawaii, and with Cuba. You will curtail the income in Louisiana and Florida cane-producing areas, and in these very beet-producing areas that this bill is designed to aid.

The net result will be, in conclusion, there will be no revenue from this proposal. There will be the dislocation of a vital American industry. There will be increased costs in the price of alcohol, both direct and indirect consumption—that is, industrial alcohol—and we will have the loss of a valuable market for these waste inedible molasses.

We therefore ask the deletion of lines 9 to 12 on page 26, and the perfecting amendments on page 30, so as to make section 404 conform to S. 2706 as introduced.

The CHAIRMAN. Did the last reciprocal-trade agreement with Cuba affect this at all?

Mr. AUSTERN. I do not believe, sir, that the question is affected.

The CHAIRMAN. All right.

Mr. AUSTERN. I cannot say definitely.

The CHAIRMAN. All right.

(Mr. Austern submitted a statement on behalf of the Celluloso Plastics Association, and statistical data on basic price comparisons, blackstrap molasses, which are as follows:)

CELLULOSE PLASTICS MANUFACTURERS' ASSOCIATION,
Washington, D. C., August 7, 1937.

Hon. PAT HARRISON,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR: On behalf of the Cellulose Plastics Manufacturers' Association, I am directed to record its opposition to the so-called Congressman Lucas amendment to H. R. 7667, proposing an excise tax on waste and inedible molasses when used in the manufacture of industrial alcohol.

On the basis of the calendar year 1936, production of nitrocellulose and cellulose-acetate sheets, rods, and tubes, as shown by the Bureau of the Census, there were consumed in that year in the manufacture of such plastics about 2,300,000 gallons of alcohol. Under the amendment of Congressman Lucas the tax would amount to 7.72 cents per gallon of industrial alcohol.

It is the opinion of our industry that this amendment would place this additional cost upon the industry without benefiting the producer of corn, as intended by the proponents of the amendment.

Except from synthetic production, the manufacture of industrial alcohol, from anything but waste molasses, is commercially impracticable. Blackstrap molasses today costs from 6 to 7 cents per gallon. Therefore, the raw-material cost of a gallon of industrial alcohol is between 15 and 17½ cents per gallon. Under the Congressman Lucas amendment, the raw material cost would be raised to between 22 and 25 cents per gallon. A bushel of corn yields about 2½ gallons of alcohol. Figuring corn at $1 per bushel, the raw-material cost of a gallon of alcohol would be 40 cents per gallon, far in excess of the cost of a gallon of alcohol made from molasses, even with the addition of the tax proposed by the amendment of Congressman Lucas.

Respectfully submitted.

JOHN E. WALKER, *Secretary.*

Basic price comparison

BLACKSTRAP MOLASSES

Present price of blackstrap molasses, f. o. b. Atlantic seaboard, duty paid, per gallon	$0.07
2½ gallons of blackstrap molasses make 1 gallon of industrial alcohol, thus the raw material cost of 1 gallon of industrial alcohol is	17.5
Proposed tax amounts to 7.857 cents per gallon of industrial alcohol	7.857
Thus, raw-material cost per gallon of industrial alcohol under proposed tax would be	25.36

SYNTHETIC PRODUCTION

Even with blackstrap molasses selling at 7 cents per gallon or less, synthetic production of ethyl alcohol has increased from 3,798,281 gallons in 1930 to 10,657,758 gallons in 1936.

CORN

1 bushel of corn makes 2½ gallons of industrial alcohol, at present spot price of corn, bushel	$1.185
Plus freight	.10
Total	1.295
Raw-material cost per gallon of industrial alcohol	.52
December future price of corn, bushel	.70
Plus freight	.16
Total	.86
Raw-material cost per gallon of industrial alcohol	34.4

STATISTICS

1. Sources of blackstrap molasses (including cane blackstrap, beet molasses, and refiners' blackstrap), fiscal year 1936, produced in continental United States:

	Gallons
Cane blackstrap and beet molasses [1]	68,700,000
Refiners' blackstrap [2]	18,750,000
Shipped from Puerto Rico and Hawaii	56,300,000
Imported (including cane blackstrap and beet molasses "not for human consumption or the extraction of sugar")	209,200,000
Total	352,950,000

[1] Florida, Louisiana, and beet-sugar-producing States.
[2] Calculated from refiners' meltings in Willett & Gray. Other figures compiled from Department of Commerce reports.

2. Uses of blackstrap molasses (including cane blackstrap, beet molasses, and refiners' blackstrap), fiscal year 1936:

	Gallons
Industrial alcohol	173,400,000
Cattle feed	[1] 100,000,000
Yeast and vinegar	[1] 40,000,000
Butanol	[1] 25,000,000
Rum and other beverage spirits	5,700,000

[1] Estimate from available information. Other figures from Treasury Department reports.

Comparative production of industrial alcohol production from molasses and synthethic production

Calendar year	Alcohol from molasses [1]	Synthetic ethyl	Synthetic methyl	Combined synthetic ethyl and methyl
1930	75,973,744	3,708,281	7,689,227	11,387,508
1931	67,006,815	7,360,418	7,007,332	14,376,750
1932	55,401,765	7,200,288	7,033,962	14,834,240
1933	61,133,287	5,722,586	8,793,152	14,515,738
1934	80,826,301	7,035,129	12,534,424	19,569,553
1935	81,802,816	13,736,475	18,046,929	31,783,404
1936	77,811,924	16,657,758	[2] 25,500,000	42,157,758

[1] Amounts expressed in wine gallons based on official Government proof gallons figures.
[2] Estimate on the basis of figures for figures for first 9 months.

The CHAIRMAN. Mr. Wadsworth.

STATEMENT OF DANIEL V. WADSWORTH, VICE PRESIDENT, REFINED SIRUPS, INC.

The CHAIRMAN. All right, Mr. Wadsworth.

Mr. WADSWORTH. Mr. Chairman, what I have to say involves sugar in a very insignificant way. It deals with the liquid sugar quota, which was frozen in the present bill. We ask for an amendment which involves only about 9,000 tons of sugar, but it is to take care of a production and manufacture of an entirely new type of sugar products.

As an amendment, we ask that, on page 15, you strike out everything down to line 3 and insert:

SEC. 208. Quotas for liquid sugar for foreign countries for the calendar year 1937 are hereby established as follows:

Country (in terms of wine gallons of 72 percent total sugar content)	*Gallons*
Cuba	9,500,000
Dominican Republic	2,000,000
Other foreign countries	0

For the calendar year 1938 and for each succeeding year the quotas for liquid sugar for each Cuba and the Dominican Republic shall be increased 4 per centum over the quota for the calendar year next preceding.

The CHAIRMAN. That is a total increase of how much?

Mr. WADSWORTH. Of 2,500,000, approximately.

The CHAIRMAN. In total?

Mr. WADSWORTH. Total increase of 2,500,000 gallons.

Senator KING. How many pounds of sugar would there be in a gallon of the liquid?

Mr. WADSWORTH. About 8 pounds of sugar. It involves an increase of about 9,000 to 10,000 tons of sugar as compared with the total consumption in the United States of about 6,000,000 tons.

The CHAIRMAN. How many concerns are there that send in this sirup?

Mr. WADSWORTH. Manufacturing in the United States, I would say there are four or five, all located in New York City. Some of the sugar refiners, I am not quite certain whether they are producing sirup or not, but I know two of them are—I know of four.

The CHAIRMAN. Have they resorted in any way to extracting sugar from this sirup made from sugar in order to evade the regulations in the law?

Mr. WADSWORTH. I do not believe so. Some 2 or 3 years ago some question came up about that, and there was some high-test molasses brought in from which sugar was extracted—to what extent I do not know. I think there was a considerable quantity at that time, but that was discontinued under the quota system, and I do not think there has been any complaint in that respect whatsoever.

The CHAIRMAN. How much of this sirup was imported in 1936?

Mr. WADSWORTH. In 1936, I think it was about 14,000,000 gallons imported.

The CHAIRMAN. Why were the figures in this law taken as such? Was that the average for 1936?

Mr. WADSWORTH. The Secretary of Agriculture allocated the quantities on the basis of the average of 1934–35 importations. There was an influx of sirup during 1936.

The CHAIRMAN. What is liquid sugar? What is it used for?

Mr. WADSWORTH. It is used principally for uses that are new. It is used in an entirely different way from dry sugar. The manufacturer takes it into his plant from tank trucks and tank cars. It is supplied to him in differing and varying densities, various different percentages of invert, depending on the texture or quality of the products that the manufacturer is making.

The CHAIRMAN. Is there any competition between that and sugar?

Mr. WADSWORTH. Yes, the same extent you would say that the airplane is in competition with the railroads.

Senator VANDENBERG. This displaces that amount of sugar when used?

Mr. WADSWORTH. Yes, I will say to the same extent an airplane would take the place of a railroad, and I think I can clarify something.

Senator KING. Does it not increase the consumption of sugar?

Mr. WADSWORTH. Yes; it does.

Senator KING. Because you manufacture products which perhaps if you did not get this liquid might not be manufactured. I am just wondering.

Mr. WADSWORTH. Yes. I can give you an example of how it does increase the use of sugar. It does not necessarily replace sugar that has already been in the industry, and I will try to deal with that a little later in connection with brewing.

The methods we use in manufacturing are new, and as yet it takes quite a long while to build up production, when you are building it with a new product. Anyone could go out and build a granulated sugar refinery, and if they will sell the sugar cheaply enough they can sell the whole production over night, but in connection with the sirup it takes quite a long time to develop a market for it, to educate the buyers how to use the new type of products.

Senator KING. What is the product generally that results from the use of this liquid?

Mr. WADSWORTH. One of the largest items that we have in our sales is the brewing sirup, which was never used in this country to any extent at all, although in England there are about 90,000 tons of brewing sugar used in the manufacture of beer and ale in England.

Senator KING. They sweeten their ale and their beer, do they?

Mr. WADSWORTH. It is the use of the sugar, to just sweeten it, but we went to England at great expense and made arrangements with the manufacturers there for their process of manufacturing, and we have met with considerable success in connection with the brewing of ale, principally in the East. There is very little ale consumed out West, and our business involves the eastern market.

The CHAIRMAN. What percentage of it goes into the brewing products?

Mr. WADSWORTH. I think this year about 10 or 12 percent will go into the beer products, and the balance of the use of liquid sugar is a question of cleanliness that has a great deal to do with a high type of food products concern, and the percentage of invert. We give the manufacturer any percentage of invert that he wishes to have, anywhere from 5 percent up to 100 percent, and it depends to a great extent on what type of products he is manufacturing, or what he wants to accomplish in the way of the texture of his finished product.

I would like to say here that if the alcohol industry is excluded from the tax we would urge you to exclude any brewing sugar, any liquid sugar or molasses, used in brewing, because beer is already taxed at the rate of $5 per barrel, which is about 50 cents per pound, alcohol content in the beer.

If we are forced to pay the tax on our brewing sirup it is going to put the price much higher than corn, and it already runs from 25 to 33 percent higher than corn, and naturally the brewer only uses it where he finds a need for it. It is not in competition with corn sugar at all, because it meets a special need of the brewing industry, but if the tax is applied to liquid sugar going in the brewing, then it is going to bring the price still higher, and we would ask for that

elimination of the tax on brewing sirup, unless you eliminate it on alcohol, because the alcohol content of beer is already taxed, higher than the taxes for industrial alcohol or for medicinal purposes, and so forth.

The CHAIRMAN. Is that all, Mr. Wadsworth?

Mr. WADSWORTH. That is all, yes.

The CHAIRMAN. Thank you very much.

STATEMENT OF J. A. DICKEY, ON BEHALF OF THE SUGAR PRODUCERS AND FARMERS' ASSOCIATION OF PUERTO RICO

The CHAIRMAN. Mr. Dickey, you have 15 minutes.

Mr. DICKEY. Mr. Chairman, we are going to propose three amendments to this bill as it now is written. House bill H. R. 7667 proposes to reduce Puerto Rico's raw sugar quota 34,000 tons below that provided in the Jones-Costigan Act. A reduction of 34,000 tons creates a serious situation for Puerto Rico.

Especially is this true in view of the fact that when the emergency sugar legislation was set up in 1934, Puerto Rico accepted a quota approximately 250,000 tons below the level of production at that time.

This was due mostly to hurricane damage to the cane crop during one of the years used as a basis for the island's quota. In order to come within its quota, the island actually reduced its production by approximately 370,000 tons during 1935 by leaving part of the cane crop unharvested or diverting it to other uses. Production for the two years, 1935 and 1936, combined, was reduced by around 600,000 tons, and more than 100,000 tons were still held in producers' warehouses at the beginning of 1937.

Puerto Rico lived up to the letter and spirit of the Jones-Costigan Act, even though this reduction of approximately 600,000 tons of sugar resulted in a tremendous increase in the already burdensome unemployed population. A further reduction of 34,000 tons would mean the loss of work for approximately another 5,000 persons.

But this is not all. Puerto Rico, on January 1, 1938, will still have a surplus of 200,000 tons of sugar. The island normally carries no surplus of sugar. Under the proposed legislation the island would have little or no opportunity to dispose of this surplus except through the procedure of reducing production. If the island undertook to eliminate its surplus of sugar in the next 2 years, it would have to reduce production each year to an amount approximately 200,000 tons below its production this year, and production in 1937 was more than 100,000 tons below normal.

Senator KING. I suppose you cannot find the market abroad?

Mr. DICKEY. Impossible, Senator.

Senator KING. Cuba and other sugar-producing countries could undersell you?

Mr. DICKEY. Equally as much as they could your State of Utah, Senator.

Senator CLARK. What percentage of reduction would that be?

Mr. DICKEY. Of the islands, about 10 or 15 percent. No, about 25 percent, 200,000 as to 800,000, about 25 percent reduction.

Such a reduction in production would be a severe handicap to the island. It would result in an increase in our unemployed population of approximately 20,000 persons directly engaged in sugar produc-

tion, and another 5,000 engaged in loading, transporting, and shipping sugar. This will add greatly to the already burdensome unemployed problem of the island, in addition to reducing the income for schools, health facilities, and other governmental functions. Sugar pays directly or indirectly about three-fourths of the island's revenue. It provides the backbone of the economic structure of the island and directly or indirectly is the basis for nearly all industrial activity.

In deriving the quotas included in this bill, Puerto Rico's quota was first reduced along with that for the beet States and that for Hawaii in order to provide larger quotas for other domestic areas—Louisiana and Florida.

A second reduction was made in Puerto Rico's quota, along with those of all other areas, including foreign countries, in order to further increase the quota of certain domestic areas. Now, we want to see these domestic areas, who have thus benefitted, get larger quotas, but we feel that Puerto Rico needs a larger quota as badly as any other domestic area. We also feel that Puerto Rico deserves a larger quota, on the basis of past record of production, and on the basis of her record as a part of the domestic market, than the island now has.

While we feel that Puerto Rico deserves relief from a reduced quota, we do not feel that Puerto Rico should be singled out in this respect. There are two ways in which this relief can be accomplished under the pending bill without affecting either the basic principles of the bill or violating the terms of the International Sugar Agreement.

The pending bill, in section 204, provides that the unfilled part of the quota for any domestic area or Cuba shall be prorated among the other such areas. Deficits very often occur in domestic areas, but never in Cuba. Such deficits may be due to lack of irrigation water in the beet States, early frost in the cane States, hurricane damage in Puerto Rico, or a number of causes. Since Cuba has a much larger allotment than any domestic area, she would, therefore, receive a much larger share of any deficit than any domestic area.

Under this bill as written, Cuba receives nearly 40 percent of any deficit from the cane States, which, in fact, is taken from other domestic areas under this bill, while no domestic area ever shares in any deficit from Cuba because Cuba has no deficit.

Puerto Rico proposes an amendment to permit domestic areas only to share in the deficit of other domestic areas. This would go far toward removing the acuteness of sugar quota restrictions on Puerto Rico as well as other domestic areas.

This proposal in no way conflicts with commitments under either the International Sugar Agreement or the reciprocal trade agreement with Cuba. Moreover, it will effectuate the declared policy of the proposed act rather than oppose it.

This amendment would not provide domestic areas a larger share of total consumption. Neither would it provide any of these areas a permanently larger quota, but it would provide them a basis for disposing of present or future surpluses. There has been a deficit in the continental beet area every year so far under the Jones-Costigan Act. For example, there was a 207,821-ton deficit from the continental beet area in 1936. Under the present provision of this bill, Cuba would receive 97,446 tons of such a deficit, Puerto Rico 40,080 tons, the cane sugar States 21,420 tons, and Hawaii 47,820

tons. Under the proposed amendment, Cuba would receive no share of such a deficit, Puerto Rico would receive 76,596 tons, the cane sugar States 40,330 tons, and Hawaii 90,040 tons. A deficit is already in prospect for the beet area for 1937, and on the basis of present Government estimates of production, another deficit is in the offing for 1938.

The modifications in the working of the bill necessary to effectuate this change are as follows:

1. Strike out the words "or Cuba" in line 13, page 8.
2. Strike out the words "and Cuba" in line 15, page 8.
3. Strike out lines 19 and 20, page 8, and substitute the following:

tary determines cannot be supplied by domestic areas, shall be alloted to Cuba. Any portion of the allotment to Cuba which cannot be supplied by Cuba shall be prorated to other foreign countries.

This simply provides that the domestic areas shall be allowed to fill their own deficits when possible, and when not possible then Cuba can fill the deficits of the domestic areas.

Now, what we are proposing is that the domestic areas share first any deficit in the domestic areas, and then if they cannot supply it, Senator, let it be turned over to Cuba or to somebody else, but in case any domestic area has a deficit, the other domestic areas should be allowed to share ahead of Cuba. That will give us some hope at least of getting rid of our surplus.

This proposal simply provides that the domestic areas be allowed to fill their own deficit when possible, and when not possible that it be turned over to Cuba.

The CHAIRMAN. What would you do with Hawaii when that happened?

Mr. DICKEY. Hawaii would get a part of it, as would Louisiana and as would all the States, and Florida. All the domestic areas would share in that deficit.

Senator CLARK. On the basis of the quota?

Mr. DICKEY. On the basis of the quota, correct.

Now the second proposal: We further propose a second amendment which does not affect basic quotas as provided in the bill as now written. The bill (H. R. 7667) provides a quota of the Commonwealth of the Philippine Islands about 54,000 tons in excess of the quantity admitted duty free under the Tydings-McDuffie Act. Moreover, it provides that any deficit in the Philippine quota shall be reallotted to foreign countries other than Cuba. We feel that this 54,000 tons of sugar should be allotted to Puerto Rico, the beet States, and Hawaii in the proportion of their respective basic quotas to compensate in part for the reductions originally made in the quotas for these areas in order to provide larger quotas for other domestic areas. Quotas for other areas would not be changed by this proposal.

The modifications in the bill in its present form necessary to provide this change, are as follows:

1. Change the figure in line 24, page 6, from 55.59 to 56.41.
2. Change the first table on page 7 to the following:

Area:	*Percentum*
Domestic beet sugar	41.80
Mainland cane sugar	11.14
Hawaii	25.80
Puerto Rico	21.52
Virgin Islands	.24

3. Change the figure in line 4, page 7, from 44.41 to 43.59.
4. Change the second table on page 7 to the following:

Area:	Percentum
Commonwealth of Philippine Islands	33.47
Cuba	65.62
Foreign countries other than Cuba	.91

The other domestic areas were cut to make up the increase in the quota for Florida and Louisiana. Now what we are proposing here is simply to give those domestic areas that made that sacrifice, the excess Philippine quota, and the changes to effect that are very simple, as stated here.

We propose one further change in a provision of the act which especially penalizes Puerto Rico. Section 401 (b) of H. R. 7667, provides that sugar in liquid form (regardless of its nonsugar solid content) which is to be used in the distillation of alcohol, shall be considered manufactured sugar. A tax of about 3.15 cents per gallon is, therefore, placed upon blackstrap molasses used for distillation purposes. The present price for such molasses is about 5 cents per gallon.

Blackstrap molasses is used primarily for making industrial (ethyl) alcohol. The reason for this tax is to encourage the use of grain instead of molasses in making of such alcohol. At present only about 8 percent of the ingredients used in making industrial alcohol comes from grain, mostly corn. On the basis of 5 cents molasses, corn would have to sell for around 31 cents per bushel in order to compete on a price basis with molasses. The present price of corn is about 65 cents per bushel.

While this tax would not result in increasing the advantage of corn (and other grains) competing with molasses to any great extent, it would result in a tremendous increase in the production of synthetic alcohols from petroleum byproducts. Therefore, the immediate effect probably would be to increase the price of alcohol to consumers, followed later by a large part of the tax being passed back to producers as the production of synthetic alcohol increased. Since Puerto Rico ships about 35 million gallons of molasses to the mainland annually, it would result in a loss to Puerto Rican sugar growers of $1,000,000 a year.

Not only will the tax reduce Puerto Rico's income for molasses, but it will also reduce the income of other areas from this source. If the price of molasses is reduced by the amount of the tax, it would result in a loss to all domestic sugar producers of around $4,000,000 annually.

Moreover, an analysis of the competitive situation between molasses and grains indicates that this provision would defeat its own purpose. Studies of the United States Department of Agriculture show that six gallons of blackstrap molasses are equal in feed value and replace approximately one bushel of corn. It is fed mostly to cattle with protein supplements, such as legume hay, and in this manner replaces grains and the like as a source of carbohydrates.

Senator CLARK. You do not understand that this so-called "Lucas Amendment" applies to molasses for cattle, do you?

Mr. DICKEY. That is right, it does not, but in oppressing the price of molasses used for distillation, it would compete with or tend to depress the price of that used for fattening cattle and other purposes.

This ration is used for feeding and finishing cattle and a similar ration using low grade roughage is widely used for wintering stock cattle.

The use of molasses for livestock feed increases in importance as the disparity between prices for blackstrap and grains becomes favorable to the use of molasses. The United States Department of Agriculture Farmers' Bulletin No. 1549, *Feeding Cattle for Beef* (p. 10), states, "Molasses * * * is used considerably in fattening areas. Many Corn Belt cattle feeders use it when it can be supplied at about the same price as corn, pound for pound."

If this provision would result in substantial assistance to the grain farmer it would be a different matter. A tax of 3.15 cents a gallon upon blackstrap molasses used in distillation will tend to restrict the use of corn. Any molasses replaced in distillation would be thrown in competition with grains and the like for feed. To the extent that molasses is replaced by synthetic materials in the manufacture of industrial alcohol, the growers of feed grains would be placed at a disadvantage in the exchange.

The tax on molasses will not be of any benefit to grain farmers. It is a tax upon the producers of sugar—an agricultural product—which will be of assistance only to petroleum producers and producers of other non-agricultural products used in the production of synthetic alcohols. This is a provision in a bill drawn to assist agriculture which penalizes agriculture by placing a tax that will be of assistance to neither grain or sugar growers, but only to non-agricultural industries.

We, therefore, petition this committee to amend H. R. 7667, in the interest of grain farmers as well as sugar producers, by striking out lines 9 to 12, inclusive, of Section 401, on page 26.

Senator CLARK. That stuff comes in at this time duty free, does it?

Mr. DICKEY. No, sir; none except that from the Philippine Islands.

Senator HERRING. Do you have any records as to the distillation of industrial alcohol in the Middle West?

Mr. DICKEY. No I do not, Senator. The bulk of the manufacturing of industrial alcohol is on the eastern seaboard.

Senator HERRING. It so happens I have purchased a good many trainloads from Peoria, Illinois, that were forced to go to New Orleans because of the blackstrap situation.

Mr. DICKEY. That is true.

Wages and Working Conditions. Wages for agricultural labor in Puerto Rico compare favorably with those for agricultural labor on the mainland, especially when the fact that Puerto Rico's agricultural laborers are strictly on an 8-hour basis is taken into consideration.

Official statistics of the insular government and the United States Department of Agriculture show that wage rates for labor on sugar cane plantations in Puerto Rico are higher than those for agricultural labor in most of the Southern States. A study in the National Research Project, W. P. A., shows that the average working day for agricultural labor in the States is approximately 50 percent greater than that permitted by law in Puerto Rico.

If labor on sugar cane plantations of the island worked as many hours per day as does labor upon the sugar beet and sugarcane farms in continental United States and were paid at present hourly rates,

the rates of pay would compare favorably with those for agricultural labor in any part of continental United States.

Farm wage rates in Puerto Rico and specified States, Apr. 1, 1937

	Wage rate per day [1]	
	With board	Without board
Puerto Rico sugarcane farms:	*Cents*	*Cents*
Basis of 12-hour day [2]	(3)	212
Basis of 8-hour day	(3)	106
Sugarcane States:		
Louisiana	75	100
Florida	80	120
Sugar-beet States:		
Nebraska	125	170
Colorado	140	200
Utah	190	240
Idaho	185	235
Wyoming	155	225
California	190	280
Michigan	165	220
Other Southern States:		
South Carolina	60	80
Georgia	65	90
Tennessee	80	100
Alabama	70	90
Mississippi	70	95
Arkansas	75	100
U. S. average	116	158

[1] Data for Puerto Rico is based upon survey of 25 sugarcane plantations covering 9,123 laborers made by the Insular Department of Labor in 1936 and the wage agreement between the Association of Sugar Producers of Puerto Rico and the Free Federation of Workingmen of Puerto Rico on Jan. 5, 1937. Data for the States from Bureau of Agricultural Economics, *Farm Wage Rates and Related Data, Apr. 1, 1937*. Data for States represents wages paid in all agricultural enterprises.

[2] Computed for comparative purposes. Law limits the working day in Puerto Rico to 8 hours except in emergencies, in which case the law requires that the laborer receive double the usual rate for all time in excess of 8 hours. In the States the farm work day is approximately 12 hours. Cf. *Length and Changes in the Farm Work Day*, John A. Hopkins, National Research Project, W. P. A.

[3] Labor is not given board on the sugarcane plantations in Puerto Rico, but is given perquisites which amount to nearly as much as board.

Expenditures for wages in producing sugar in Puerto Rico are as high as those in most other sugar-producing areas supplying the continental United States markets. On the basis of total cost per acre, Puerto Rico is second only to Hawaii; on the basis of cost per ton of raw product, second only to the continental beet area; and on the basis of the cost per 100 pounds of sugar, it ranks third, being exceeded by the continental beet area and Louisiana.

Comparative labor costs involved in farm production of sugar beets and company-grown sugarcane, average 1929–30 to 1931–32 [1]

Area	Cost per acre	Cost per ton raw product	Cost per 100 pounds sugar
	Dollars	*Dollars*	*Dollars*
Continental beet	55.18	4.107	[2] 1.411
Louisiana	33.48	2.007	1.381
Puerto Rico	93.43	2.024	1.120
Hawaii	[2] 120.27	[2] 2.104	[2] .840
Cuba	23.49	1.340	.551

[1] Costs items included are: "preparation and planting", "cultivation", "irrigation and drainage", "harvesting", and in the case of sugar beets, "thinning, hoeing, and topping."

[2] Figures include "hauling (cane) to main line."

[3] Figures adjusted to conform to "raw value" of cane areas.

Compiled from U. S. Tariff Commission's Report to the President on sugar, 1934, Report No. 2, second series.

In speaking of labor's achievements, Hon. Santiago Iglesias, Resident Commissioner from Puerto Rico, said (Congressional Record, June 14, 1937, p. 7437):

> Puerto Rico is particularly proud of what has been accomplished in recent years on behalf of labor. Indeed, the island has set the pace for many of the States in this respect. It has, for example, a workmen's compensation law which is generally regarded as a model for any State, applying both to industrial and to agricultural labor. In addition, it has and strictly observes a child-labor law and an 8-hour day, which also is unique in that it applies to both the factory and farm laborers. Strikes are infrequent and are settled peacefully and promptly, often through arbitration conducted by the insular government. Wages still are relatively low, but they have been increasing in the last few years to the point where total pay rolls on the island now are the highest in history. In the larger industries wages are established under collective bargaining, with capital and labor working in harmony.
>
> The laboring classes are well represented in the insular government. The island's treasurer and the commissioner of labor both are members of the Labor Party. Of the 19 senators in the insular legislature, 7 are members of that party; of the 39 representatives in the lower house, 15 represent labor.

It may be pointed out that it is required by law in Puerto Rico to pay workmen in full in cash. This law permits no deduction in wages for accounts due, and does not permit the employer to keep the workmen in debt by advancing provisions at high prices or by manipulating accounts.

In addition to other benefits, the labor in the fields, as well as that for the railroads and factories, are all covered by workmen's insurance. This insurance is required by law of all employers who hire 4 or more workmen. It provides medical services, compensation for temporary disability, compensation for permanent disability, and care of dependents in case of death. Workmen's insurance is required by law for agricultural labor in only two States, New Jersey and Ohio. Benefits paid sugarcane labor in Puerto Rico, under provisions of the workmen's compensation insurance law on the island between 1928 and 1934 totalled $2,226,051.28.

The wages and hour bill recently passed by the Congress applies to Puerto Rico as well as to other domestic areas. In addition, under the labor provisions of this bill, the Secretary of Agriculture prescribes wage rates, working conditions and the like for the sugar industry of Puerto Rico, the same as for other areas.

The conditions under which agricultural labor on the sugarcane plantations of Puerto Rico work are as favorable as those in any other sugar producing area in the world. In addition to the protective provisions of the laws of the island, most of the mills furnish their laborers with free housing, free lights and water, free medical services and hospitalization, and rent-free land upon which to grow food crops for their own use.

The CHAIRMAN. Mr. Arthur L. Quinn.

STATEMENT OF ARTHUR L. QUINN OF THE FIRM OF BUCKLEY & BUCKLEY ON BEHALF OF THE REFINING SUGAR INDUSTRY OF PUERTO RICO

I am going to confine my remarks to section 207 (a) and (b) of the bill as it passed the House of Representatives on August 6, 1937. These sections relate to the restrictions placed on shipments of direct consumption sugar from Puerto Rico and Hawaii to the mainland but the real question which they raise is whether one part

of the United States—whether American citizens on American soil just because they are not on the mainland can be the subject of discriminatory legislation.

At the outset please let me state that at the present time Puerto Rico has a raw sugar quota of approximately 831,000 tons and is allowed to ship to the mainland 126,033 tons of that quota in the form of direct consumption sugar. This amounts to about 15 percent of the basic quota as being permitted to enter the mainland in refined form.

I am going to assume that the committee members are quite familiar with the quota operations of this bill and I shall confine myself to the true effect of sections 207 (a) and (b).

Directing our attention to the major domestic producing areas for the purpose of the illustration I shall make, I would like to have you think of the domestic beet, Florida, Louisiana, Puerto Rico, and Hawaii as five large sugar-producing farms. Under this bill these five farms are given quotas. The beet farm produces a quota of sugar beets which is processed and refined into beet sugar. The bill in no wise interferes with the operations of any of the beet processors and refiners in preparing their quota for the continental market. Now as to the four cane farms they are also allowed to produce sugarcane on the basis of respective quotas allotted them in the bill.

Now of these five farms do they all have the same rights? The answer is no. Three of them, namely, the beets, Florida and Louisiana, can raise, process, and prepare all their sugar for the consumption market in the United States. However, Puerto Rico and Hawaii are told that they cannot do what the other three can. Sections 207 (a) and (b) say to Puerto Rico and Hawaii you can only prepare or refine a small percentage of the sugar you raise for shipment to the continental market. The restrictions placed by this bill on the growing of sugar on these five farms are uniform but as to the industrialization of the sugar produced, they are not uniform.

These sections force Puerto Rico and Hawaii to pass their sugar to the American consumer through a middle man, namely, the continental cane refiner. It says to Puerto Rico and Hawaii, you can under no circumstances raise, process, and ship refined sugar in interstate commerce beyond a certain small amount. And what is more important it puts a blot upon the citizenship of the American citizen on the American soil of Puerto Rico and Hawaii. He became a citizen at the invitation of Congress and now Congress under pressure of cane refiners many times held guilty of monopolistic practices—under such pressure Congress is saying to this American citizen—Yes, you are an American citizen. You are on soil over which the flag flies but I am going to treat you a little differently. Some of our citizens on the continent feel that your wings should be clipped for their benefit and I am going to do just that.

Following this thought further, let me say there is no section in the law which says to the cane refinery in New Jersey or Louisiana you can only refine and ship in interstate traffic what you refined and shipped in 1933—indeed there is no limitation upon him whatsoever, but by section 207 (a) and (b) you say to the refiner in Puerto Rico and Hawaii you can only refine and ship on the basis of your 1933 performance. Now in the consideration of this section of the law on the House side there was a tendency in the argument on the

part of some to confuse one, anxious to make an earnest effort to understand the workings of this section and I want to clearly point out that insofar as raw producers are restricted under the act the same method of allocation is used for all raw producers, but this is not true when the act attempts through section 207 (a) and (b) to divide up the cane refining industry and force Puerto Rico and Hawaii to give up their rights to prepare for the United States market the raw product of their own soil.

You cannot escape from the basic fact that gross discrimination in Puerto Rico's right to industrialize and ship a product of its own soil is the inevitable result of the operation of this section of the law.

Now to strike sections 207 (a) and (b) from the law will not alter the sugar quota system set up in this bill one iota. Why, because the operation of section 207 relates to purely an industrial question.

Labor, however, is not a material factor because the sugar refining industry is perhaps the most highly mechanized industry in the country—just a melt on a huge volume basis. The labor factor in refining is less than 4 percent of the sales price of the commodity yet on the basis of this small labor factor you are asked under this bill to subscribe to a policy which forces Puerto Rico and Hawaii to be sacrificed to the economic benefit of another group of American citizens which is better able to express its views through members of the Senate, whereas Puerto Rico and Hawaii have no one here in the Senate—they must rely upon the fairness and integrity of the Senate to protect them as citizens.

I would like to further point out that the sugar bill gives the Secretary of Agriculture power to regulate labor conditions and this power applies to all domestic areas and in addition Congress is considering wage and hour legislation at the present time which will apply to Puerto Rico and Hawaii, as well as other parts of the United States. The sugar bill is legislation for the future, not the past. Congress is speaking for the next 2½ years as regards this industry, if it enacts this law.

Legislating to this effect, namely discriminatory, unfortunately sets a precedent for the future treatment of these areas of the United States. Indeed it is an invitation to retaliation among all areas of the United States. If you can enact this section 207 into law, Congress can presumably legislate and say to the State of Maine you can raise potatoes but you cannot process those potatoes and ship potato chips in interstate commerce. It can say to the Northwestern States producing lumber you can cut your lumber but you can't ship pencils or any lumber products in interstate commerce. It can say to the eight oil producing States as it is doing today that a quota system shall be applied to those States but, for instance, as to the State of Texas it can specifically provide that it be excluded from refining and shipping its oil in interstate commerce. In other words, Congress can say to most any industry in any State we shall not permit you to process and ship in interstate commerce or shall limit your right in that respect. It can say to the States of Louisiana, Texas, and California, you can produce rice (and bear in mind gentlemen, that the products cited above, with one exception, are not restricted): but, of the rice that you produce; Louisiana, Texas, and California; all of which is practically purchased and consumed by Puerto Rico and Hawaii; you can only process 15 percent of it

and the balance of 85 percent should be shipped and processed in Puerto Rico and Hawaii.

Sections 207 (a) and (b) if they are removed will not disturb any raw quota fixed under the law. To give approval to what sections 207 (a) and (b) do to Puerto Rico and Hawaii would be a breach of faith to the people of those areas, objectionable on moral grounds. The relationship of the mainland to these areas works both ways just like that of State to State. The mainland buys sugar from those areas and those areas in turn buy most liberally from the mainland. In the case of Puerto Rico that area ranks sixth in the world as an outlet for continental products and these heavy purchases include, for example, potatoes from Maine and Western States, rice from Louisiana, Texas, and California, shoes from Massachusetts and Missouri, machinery and tools from Massachusetts, Connecticut and Central States, and farm products and lumber from the West and Northwestern States. Besides the business that goes on continuously with parts of the United States, Puerto Rico has been a place for mainland people to invest. For example, Massachusetts interests have for more than 30 years been the principal owners of Centrale Aguirrez. They invested under the flag and its protection but if the flag means more than one kind of American citizen exists, then their investments are not very safe.

The history of the Continental Cane Refiners is too well known to this committee for me to dwell at length on, but let me focus your attention on one outstanding point. The real attack by the advocates of sections 207 (a) and (b) of the law, namely the seaboard cane refiners, has been directed to Puerto Rico and Hawaii; towards Americans and American industry under the same flag that protects them, not toward any foreign area.

Much propaganda has been spread that the Continental Cane Refiners received no benefits whatsoever under the Jones-Costigan Act nor will they receive any benefits under this pending bill. I would like permission to insert in the record a statement prepared in the Department of the Interior which clearly discloses that the Continental Cane Refiners have and will under this act receive very handsome protection and very handsome bounties by virtue of Federal sugar legislation.

All these many, many years there has been no restriction on refined sugar operations in any section of the United States. Why give endorsement for the continuance of a policy which was injected into sugar legislation under the guise of an emergency. The emergency is over and I respectfully request and urge this committee to strike sections 107 (a) and (b) from the bill and send the seaboard cane refiners to the Tariff Commission where they belong and not let this small group wreck an agricultural measure which otherwise is generally acceptable to all sugar producing areas.

I would like to get the attention of the committee back to section 207 (a) and (b) of this bill. A question was asked that I would like to clear up. I think it was asked by Senator Clark, and it was about the interlocking directorates of these eastern seaboard cane refineries.

Senator CLARK. Whom do you represent, Mr. Quinn?

Mr. QUINN. The refining industry of Puerto Rico. I would like to state this, that the American Sugar Refining Co. is the leader in this fight against Puerto Rico and Hawaii.

Senator CLARK. Who?

Mr. QUINN. The American Sugar Refining Co. They own a 25 percent interest in the common stock of the National Sugar Refining Co., for whom Mr. Bunker testified. That amounts to 145,738 shares. They own a 26.6 percent interest in the capital stock both preferred and common of the Michigan Sugar Co., who manufacture beet sugar, consisting of $1,437,400 in common stock, and $2,043,800 in preferred. They own a 50 percent interest, or a $2,500,000 interest in the capital stock of the Spreckles Sugar and Beet Co. in California.

Now aside from that, this company owns vast raw sugar acreage in Cuba.

Now what do they get out of this bill?

The CHAIRMAN. What are you reading from? Is that the hearing?

Mr. QUINN. That is from the testimony in the House hearing, sir.

The CHAIRMAN. I thought it was.

Mr. QUINN. This American Sugar Refining Co. owns this vast raw-sugar acreage in Cuba. They get this very handsome bounty on the sugar they ship in raw form. Originally the tariff was 2.5. This administration has reduced it down to 0.90. Now that is a very handsome bounty that they get on that raw sugar. They are not kicking about that.

Also you compare the price that they get for their refined sugar here in the States with the reexport price and you will find they get a very handsome bounty in that respect.

Senator CLARK. What is the differential on the reexport price? Have you any figures on that?

Mr. QUINN. It is a differential of about 60 cents. I can supply figures on that. In fact, you take the Revere Refinery. The Revere Refinery is owned by the United Fruit. Now the United Fruit have two large sugar centrales in Cuba, and I think last year the United Fruit Co., these centrales shipped approximately 840,000 bags of raw sugar to the United States.

Senator CLARK. Have you got any figures as to the sugar that is reexported?

Mr. QUINN. No, I have not with me.

Senator WALSH. To what countries is it reexported?

Mr. QUINN. Mostly European.

Senator CLARK. That 60 percent that you speak of, the difference between the domestic price and the reexport price, simply represents an outright subsidy by the American consumers of sugar to this Cuban refining company?

Mr. QUINN. Absolutely.

The CHAIRMAN. I understand, if you will pardon me, that there has been about 100,000 tons that has been refined, that has been reexported.

Mr. QUINN. There is one other point about this labor question in this bill, as regards refining. It has been stated that they pay $5 per day. Now the Department of Labor Statistics show this, that there are less than 14,000 people engaged in cane refining in this country, and they get an average of $1,005 a year. You figure that out on a 52-week basis. It amounts to a little over $20 a week.

Senator CLARK. How many refiners have you got in Puerto Rico?

Mr. QUINN. There is one that has a capacity of about 175,000 tons. This bill and the Jones-Costigan cuts that down to 126,000 or less.

There is another small refinery there, and then there is another refinery that produces a washed sugar, that is included in this direct-consumption sugar. That is not a refined sugar. It is a washed sugar that goes into the tobacco trade and trade like that.

Senator CLARK. Who owns those Puerto Rican refineries?

Mr. QUINN. Puerto Ricans, American citizens.

Senator CLARK. Are any American people interested in them?

Mr. QUINN. Only in the small washed-sugar refinery.

Senator CLARK. Is there any situation where we have interlocking directorates in those refineries?

Mr. QUINN. No, sir.

Senator CAPPER. What is the prevailing wage paid in Puerto Rico?

Mr. QUINN. On the refining?

Senator CAPPER. Yes.

Mr. QUINN. I will answer you that question. The efficiency of the Puerto Rican labor in the refining of sugar is not so high as it is this country. A man in this country in refining sugar can possibly tend six centrifugals whereas a man in Puerto Rico can only attend to about two, and it takes another man to supervise. Three can attend to about six, so the spread as to labor factor in the refining of sugar in Puerto Rico, it will compare just as much—I mean this, that as far as the manufacturer is concerned, as much of his profit goes into labor, is spread more among different people.

Senator VANDENBERG. What is the price? What is the wage?

Mr. QUINN. The wage? I could not give you the figure on the refining. I mean it is rather difficult to get it, but nevertheless I will compare it as a factor with these cane refineries here in the United States.

Senator VANDENBERG. What do you pay, by the day or by the hour, for the labor in the refineries?

Mr. QUINN. It approximates a minimum of about $1 or $1.25.

You will find in Louisiana, for instance, they do not pay the same wage to the man in the sugar refinery that they do in New Jersey and Massachusetts.

Senator CAPPER. We have had the wages paid, here, on most every other country. You mean you cannot get the figures on Puerto Rico?

Mr. QUINN. Yes; you can get them.

The CHAIRMAN. Why can you not give them to us?

Mr. QUINN. I can give them to you.

The CHAIRMAN. Well, can you not give them to us now? We are going to finish.

Mr. QUINN. I do not have that here, Senator.

The CHAIRMAN. It seems strange that you cannot give to the committee the information that they want now.

Senator CLARK. Can you get that information for the record?

Mr. QUINN. Surely, I can get it.

The CHAIRMAN. All right, proceed.

Mr. QUINN. Here is the way I was going to answer this committee on this labor situation. This bill sets up a standard as regards labor, and that applies to Puerto Rico and the refining industry as well as in this continental United States. Also Congress is considering the wage and hour bill. It has passed the Senate. It is in the House. That will apply to Puerto Rico and Hawaii. We will sub-

mit to these things just like the refineries here in continental United States will have to abide by them.

Senator LONERGAN. Do you favor the closing of the refineries in the United States?

Mr. QUINN. I do not favor the closing of the refineries. Now when you say "United States", do you include Puerto Rico and Hawaii?

Senator LONERGAN. No, I did not.

Mr. QUINN. Well, I could not answer your question unless you do. I mean you cannot get away from it, they are part of the United States.

Senator LONERGAN. I will ask this question: Assuming every refinery in the United States closed its doors and all the refining is done outside the territory of the United States. I mean the United States. What benefit would that be to the consumer?

Mr. QUINN. What benefit would it be to the consumer?

Senator LONERGAN. Yes.

Mr. QUINN. If the refining was done——

Senator WALSH. In Puerto Rico and Cuba and elsewhere, other than the mainland?

Mr. QUINN. I do not think that it would have any substantial effect.

Senator WALSH. The cost of refining is as much in Puerto Rico as in the United States on the mainland?

Mr. QUINN. Yes, sir.

Senator VANDENBERG. That is because you have to use so many more men, is that it?

Mr. QUINN. Yes, sir. We spread it.

Senator VANDENBERG. It is sort of a W. P. A. program?

Mr. QUINN. We had to proceed under the quota of 831,000 tons, the Jones-Costigan Act limitation. Puerto Rico could ship in only 126,033 tons in direct-consumption. That amounts to about 15 percent of the quota of Puerto Rico.

I would like to have you think of these major domestic sugar producing areas that supply our market as five large firms—the beet is a farm. They are allowed to go ahead and process all their beets under the law, about 1,550,000 tons. There is no interference with the refining of that sugar, and the preparing it for the consumer. Now you take your four large cane areas, which are Louisiana, Florida, Puerto Rico, and Hawaii. They are domestic. Are they treated alike in a group? The answer is no, because this bill comes along and says to two of those farms, "You cannot grow and prepare and process and refine sugar like the other two." That is just the effect of this bill.

In other words, it forces Puerto Rico, these sections 207 (a) and (b), and Hawaii, to pass this sugar to the American consumer through a middleman, who is the continental cane refiner, and, more important, it puts a blot upon the American citizen, upon the American soil, Puerto Rico, American citizens.

Senator CLARK. The middleman is also engaged in competition with them as producer is he not, through his holdings in this company in Cuba?

Mr. QUINN. Correct. Yes, sir. Now this bill does not say to the refinery in New Jersey, Louisiana, or Florida, "You can only refine

and ship in interstate traffic what you refined and shipped in 1933", but it does say that to Puerto Rico, and why?

Senator VANDENBERG. Suppose it did say that, would that satisfy you?

Mr. QUINN. Would that satisfy me?

Senator VANDENBERG. Yes.

Mr. QUINN. No, it would not, not in the least.

Senator VANDENBERG. But it would tend to take care of it, would it not?

Mr. QUINN. Unless you apply it to all areas.

Senator VANDENBERG. I mean applying it to all areas.

Mr. QUINN. But this quota system here as far as refineries are concerned, I do not see how it can work out here, if you put them on a quota basis. Mind you this, a great many of these factories were built, that are in the United States on a war-time basis. Why was it in 1935 that a refinery was built in Brooklyn that has a melting capacity of about 1,800,000 pounds a day?

Now the Jones-Costigan Act was on the books then. Then you hear all this talk about "capacity", putting all this capacity out of commission, but there were interests that came together and built a refinery with a capacity of 1,800,000 pounds a day in Brooklyn in 1935, and the Jones-Costigan Act was on the books in 1934.

Senator WALSH. Did the House bill reduce the quota of refined sugar from Puerto Rico?

Mr. QUINN. It does not.

Senator WALSH. Do you want that increased.

Mr. QUINN. Yes, sir. I would like the restriction removed, sir. We want it removed. I might say this, the Jones-Costigan Act did not give even then the plant capacity of Puerto Rico. There was a greater capacity in 1933 than they were allowed under this law.

If you struck out these two sections, 207 (a) and (b), you will not affect the quota situation here as regards the producer for whom this bill is drawn, one iota. You will not trouble it at all.

I would like permission—I was going to read it to you, some extracts of the testimony in the House, but I would like to have this inserted in the record here.

The CHAIRMAN. We have that before us here.

Mr. QUINN. Now I would like to read certain excerpts from a letter addressed by Mr. William Green, president of the American Federation of Labor, to Honorable Santiago Iglesias, on July 13, 1937, about this labor situation. He said:

> I will be pleased to speak to Marvin Jones and put in a good word for Puerto Rico relating to the importation of refined sugar into the United States from Puerto Rico, as you suggested in your letter dated June 25.
>
> It has ever been our purpose and desire to help and assist Puerto Rico and the Puerto Rican people. I can clearly distinguish the difference between the treatment which should be accorded the people of Puerto Rico and favor of them and against Cuba and other countries not a part of the United States Government.

And it is very significant that the brunt of this fight had been directed against Puerto Rico and Hawaii and not against Cuba. They have spread all sorts of propaganda, but you are not hearing the propaganda against Cuba. No, they are getting their own raw sugar from Cuba, these eastern seaboard sugar refineries.

Senator VANDENBERG. We are good neighbors of Cuba.

Mr. QUINN. Yes, I think so, Senator. Legislation in this manner is sort of an invitation to retaliation. Let me point out just what this does. If you do this, you can say to the State of Maine, "You can raise your potatoes, but you cannot ship in interstate commerce potato chips." You can say to the Northwestern States, "You can cut your lumber, but you cannot ship pencils in interstate commerce." You can say to these eight oil-producing States that are producing oil, and Congress has put them on a quota basis, they are on a quota basis, placed under restriction, and you can come along and say to the State of Texas, "You cannot refine your oil and ship it in interstate commerce." That is a complete analogy to what you are trying to do in this bill, and it applies to tobacco, cotton, and everything else.

Puerto Rico is a little island down there that has got a population of 1,800,000. That little island ranks sixth as an outlet for continental goods. It is the best customer that the continental United States has in this hemisphere, with the exception of Canada. They are large purchasers of machinery from the Eastern States. It is the largest purchaser of rice from Louisiana, Texas, and California. It is the largest purchaser of shoes from Massachusetts and Missouri.

This thing works both ways.

Senator BROWN. How do you account for the fact that today Hawaii produces about 25 percent of the United States sugar, Puerto Rico producing about 21 percent, yet Hawaii has a direct-consumption quota of 29,000 tons and Puerto Rico has a direct-consumption quota of 126,000 tons?

Mr. QUINN. That was because this was based historically.

Senator BROWN. Exactly. That is the idea of this legislation, is it not?

Mr. QUINN. Yes.

Senator BROWN. Hawaii could make an excellent case against you on the ground they are grossly discriminated against.

Mr. QUINN. There is a point in your argument.

Senator BROWN. In comparison with Puerto Rico.

Mr. QUINN. Yes, sir.

Senator BROWN. That explains why this bill was drawn in this way. It was based substantially upon your ability to manufacture refined sugar and Hawaii's ability to manufacture refined sugar.

Mr. QUINN. May I correct you in that respect? The President has never in any of his messages referred to this refining situation. This bill was drawn because there was a raw production that exceeded our demands here in all areas.

Senator BROWN. When it came to restrictions, it was largely based upon the ability of these countries to produce. I mean these Territories.

Mr. QUINN. Yes, sir.

Senator BROWN. And the reason why Puerto Rico is given a very large share of the production of refined sugar is because that is what they did historically speaking, in comparison with what Hawaii did. That is the substantial basis for this entire bill, the stabilization of the sugar industry upon substantially the basis that was there when the Jones-Costigan bill was enacted in 1938.

Mr. QUINN. Yes, but you are not carrying it through.

Senator BROWN. You want today something that you never did before, by way of the manufacture of refined sugar. You want a quota that you never approached heretofore.

Senator WALSH. They want to expand, in other words.
Senator BROWN. They want to expand. That is it exactly.
Mr. QUINN. No; we want that restriction removed.
Senator WALSH. Is the refining industry in Puerto Rico prospering now?
Mr. QUINN. Yes; it is going along good.
Senator BULKLEY. Is this any restriction on your existing quota?
Mr. QUINN. Yes, sir; there was a plant down there and under that 1933 agreement it had a quota of 165,000 tons.
Senator BULKLEY. How much is the restriction on existing capacity?
Mr. QUINN. Right now?
Senator BULKLEY. Yes.
Mr. QUINN. I would say it is about 150,000 tons.
Senator BROWN. The capacity is 150,000 tons?
Mr. QUINN. The capacity is about 250,000, and we get 126,000 under this.
Senator BULKLEY. The quota is different from the capacity.
Mr. QUINN. Yes, sir.
Senator BROWN. Did you ever produce that?
Mr. QUINN. Did we ever refine that?
Senator BROWN. Yes.
Mr. QUINN. No, sir. That cane refinery, the first one was built down there in 1926. I may say this, there is a historical background to that. Puerto Rico had a very severe drought in 1931, and in 1932 a hurricane affecting the 1933 crop—destroyed half their crop—it came along in October 1932 after the planting was over. That obviously would affect the 1933 crop, and that is the figure, the 1933 figure, that is used in setting this refined quota.
The CHAIRMAN. How much was refined in 1936 in Puerto Rico?
Mr. QUINN. One hundred twenty-six thousand thirty-three, sir.
Senator CLARK. That is all you could refine, was it not?
Mr. QUINN. That is all allowed under the quota.
Senator WALSH. What is the largest you have ever refined in any 1 year?
Mr. QUINN. About that.
Senator WALSH. So under the Jones-Costigan Act you were able to refine more than you ever did, then?
Mr. QUINN. No; we were able to refine what would be considered the highest year, 1933.
Senator WALSH. What is the highest production in any year of refined sugar in Puerto Rico?
Mr. QUINN. You see, Senator, they used 3 years as a yardstick.
Senator WALSH. I understand.
Mr. QUINN. 1933, 126,033 tons.
Senator LA FOLLETTE. Did you ever produce or refine more than that at any time?
Mr. QUINN. Yes; and we had paid for patent rights up to 250,000 tons.
Senator LA FOLLETTE. How much?
Mr. QUINN. Not much more.
Senator WALSH. When? You have already said, "No."
Mr. QUINN. The plant was built, the first refinery was built in 1926. I am mistaken. It was a commercial operation that was com-

ing up when all this sugar legislation came along, which called for a considerable increase.

I will say this, I think the Eastern Seaboard Cane Refineries belong before the Tariff Commission and not before this Committee. That is where they have been in the past, and every time since the Jones-Costigan Act that I have had occasion to do business with the Department of Agriculture they would inform me, "Your question is primarily an industrial question, not an agricultural one. It is of secondary importance." And yet they tack it on to this agricultural measure, and they are willing to wreck it if they do not get what they want.

I would like permission, Mr. Chairman, to insert in the record a statement on behalf of counsel for Puerto Rico, Colonel Rigby.

The CHAIRMAN. You may do that.

Mr. QUINN. And also a statement by Mr. Rafael Raldiris on behalf of the Sugar Cane Growers Association of Southern Puerto Rico.

The CHAIRMAN. Very well, you may do that. Thank you very much.

Senator LONERGAN. To your knowledge, have the refineries in the United States any agreement as to sale price?

Mr. QUINN. I could not answer that. I suspect they do, however. Thank you very much, Mr. Chairman.

(The memorandum of the Department of the Interior, and the statement of the treasurer of the Sugar Cane Growers Association of Southern Puerto Rico, presented to the committee by Mr. Quinn, are respectively as follows:)

DEPARTMENT OF THE INTERIOR

MEMORANDUM

A committee of the Department of the Interior, surveying the effect of various sugar proposals on the island possessions within the jurisdiction of that Department, today reported to Secretary of the Interior Ickes:

"The provisions of H. R. 607, discriminating against Hawaii, Puerto Rico, and the Virgin Islands in the matter of refined sugar, are in complete violation of traditional American policy and of basic American principles.

"First, these discriminatory provisions establish trade barriers within the United States. These provisions establish that a certain part of the union may not manufacture, may not process the products of its soil. This discrimination against one part of the union is established not merely in favor of another part of the union—in itself an unjustifiable performance. It establishes discriminations against parts of America, inhabited by American citizens, in favor of a few mainland companies already highly privileged by this legislation. As a precedent this kind of discrimination is unthinkable—and because it was introduced without the Administration's approval 3 years ago in the Jones-Costigan bill, in an emergency, is no reason for making it continuing national policy.

"Second, these discriminations are contrary to the spirit of American institutions. They are contrary to contemporary American policy by establishing an Old World colonialism, the colonialism against which the colonies rebelled when they declared their independence, was the right of the mother country to exploit those colonies, to consider their citizens as occupying a secondary and inferior status and to place economic obstacles in their path in favor of commercial interests in the mother country. This is still the practice among Old World empires, though to a more limited extent than it was a century and a half ago—because colonies cannot be exploited as ruthlessly now as then. However, it is self-evident that sound statesmanship in the United States cannot recognize, cannot permit, the establishment of such a continuing policy with us. It has been part of our historic process that territories represented an earlier stage of political development, and that during that period of development their lack of voting strength in the Congress was not to be taken advantage

of to penalize them, but on the contrary should entitle them to the fullest protection from the entire Congress. Because Hawaii and Puerto Rico have no vote in the Congress is not only not a reason for discriminating against their products and imposing restrictions upon them against which they cannot retaliate, but it is a valid reason for insuring them protection at the hands of the entire Congress. The Congress itself is looked to by American citizens in Hawaii, Puerto Rico, and the Virgin Islands to insure them equal treatment."

The report further stated:

"The first three paragraphs of section 207 of H. R. 7667 discriminate against Puerto Rico, Hawaii, and the Virgin Islands by limiting refining operations in these areas without corresponding restrictions on the other domestic areas of the United States. These provisions are demanded by the seaboard refiners of the mainland in order to limit the amount of competition in the sale of refined sugar. The seaboard refiners are given extraordinary benefits and protection under other provisons of the pending bill, as follows:

"(1) Under the quota provisions total supplies are adjusted to consumers' needs which stabilize the sugar market in the United States, as operations under the Jones-Costigan Act have indicated. Refiners thus obtain at public expense, in legal form and under public safeguards, the general market stabilization which they sought unsuccessfully to achieve at their own expense through control of sugar marketing practice under the Sugar Institute regime of 1928–30, which control was held by the United States Supreme Court in its decision of March 30, 1936, to be in violation of the antitrust laws of the United States.

"(2) For many years refiners have sought to limit importations of liquid sugar into the United States, which they maintain, replaces their refined product among certain types of consumers (confectionery, baking, etc.). Section 208 of the bill prohibits the importation of liquid sugar from any foreign country except Cuba and Dominican Republic, which two countries are permited quotas based on previous years' marketings in the United States, thereby limiting competition of foreign liquid sugar with refiners' products. Section 210 (b) provides in effect that any liquid sugar marketed by the domestic areas shall be included in the sugar quotas, thereby limiting possible competition with seaboard refiners' products of liquid sugar which may be produced in domestic areas.

"(3) Under Section 207 (e) and (f) refiners receive the unusual protection of an outright embargo on any importations of direct-consumption sugar from the principal competing country (Cuba) in excess of 375,000 short tons, raw value, which represents a decrease as compared with the 1936 quota of 87,000 short tons of sugar, although the United States Tariff Commission, after official investigation of costs of refining in the United States and Cuba, reported to the President on January 22, 1934, that no change was warranted in the tariff differential between raw and refined sugar.

"(4) Under the provisions of the Philippine Independence Act the refiners are protected against importations of refined sugar, duty-free, from the Philippine Islands, where great expansion of refined sugar production would be possible if no restrictions were imposed. To the limitation of 50,000 long tons of duty-free refined sugar provided for in the Philippine Independence Act, there is added the provision in the pending bill in Section 207 (d) that no more than 80,214 short tons, raw value, of direct-consumption sugar may be brought in from the Philippines in any calendar year, even with the payment of full duty.

"Under the quota system the seaboard refiners increased their meltings from 4,120,000 tons in 1933, the year prior to the Jones-Costigan Act, to 4,515,000 tons in 1936. The excess of the American refiners' margin above the world refiners' margin per pound of sugar amounted to over $20,000,000 in 1936, on the refiners' aggregate deliveries of sugar, an indirect subsidy under quota legislation to the 14 refining companies of $1,600 for each person employed by them as against an average wage of $1,005.

"The question at issue is not whether the 14 maintained cane refining companies, employing approximately 14,000, should be protected, but whether after having been granted the foregoing unusual forms of protection against competition in the bill they should be given this additional protection which is an outright discrimination against American citizens residing in the Territories and possessions of the United States."

PETITION OF MR. RAFAEL M. RALDIRIS, TREASURER OF THE SUGAR CANE GROWERS' ASSOCIATION OF SOUTHERN PUERTO RICO

"First. That Puerto Rico be allowed to market all the allotment of sugar conceded to the Island, under the sugar quota system, as regulated by the bill under consideration in any form that the island may deem convenient. This will eliminate the very marked tendency toward discriminating against 1,800,000 full-fledged American citizens, who are entitled to equal treatment as any other of our brother citizens, residing in any other part of our country.

"Second. That the proportional participation of Puerto Rico in the sugar requirements of our country be revised and an adequate increase be allowed; due to the fact that at the time of computing the historic quota basis for the island, based on 3 years' production, there were included 2 abnormal years, viz:

"Crop year 1931, which was considerably curtailed by a prolonged dry spell; and

"Crop year 1933, which was very severely damaged by a devastating cyclone on October 19, 1932.

"Third. That the tax on molasses (blackstrap) (sec. 401 (b)) be eliminated from this bill, as this tax will reflect directly on the price that the sugar growers receive for their respective crops. We have reached this conclusion, inspired by the fact that on account of competition brought about by the synthetic alcohol producers, it will not permit the burden of this tax to be absorbed by the molasses alcohol producers. To put such a measure into practice will result in a reduction of the actual molasses price, in an amount equivalent to the tax, approximately 3.5 cents per gallon. In other words, if the sugar grower does not absorb the tax he will lose the market to the synthetic alcohol producers. It is almost certain that this tax will presently give alcohol producers, other than molasses alcohol manufacturers, a monopoly of the market. This is a serious loss to all sugar producers and will have other damaging economic effects."

(Mr. Quinn also presented for the record an excerpt from a statement by Mr. Pettengill, in the House of Representatives, Aug. 6, 1937, as found in the Congressional Record at p. 1076, as follows:)

It is probable that there was no single influence which had greater weight in 1787 toward causing our fathers to scrap the Articles of Confederation and form the Constitution of the United States than the tariff walls between the Colonies. The court's opinion in Gibbons against Ogden was written by men who in their own lifetimes had experience with those conditions. In that case one may find this language:

"If there was any one object riding over every other in the adoption of the Constitution, it was to keep the commercial intercourse among the States free from all invidious and partial restraints."

Under the Confederation the restraints on the free flow of commerce between the Thirteen Original States were many and vexatious. Nearly every State erected tariff walls against its sisters. Each tried to build up its own economy at the expense of the others. And it may be doubted whether any factor has contributed as much toward building this Nation as the fact that "commercial intercourse among the States" has been kept "free from restraints imposed by each State upon the others." As a result each State has not only had a free national market for its own goods but in turn has been able to buy what it cannot itself produce wherever it could buy cheapest. In other words, each State has had the benefit of the cheap producing costs of the other States. This has constantly lowered the cost of goods to every American citizen and thus given a greater measure of general prosperity than any other nation ever achieved. All this is commonplace. One State grows cotton and buys wheat. Another makes automobiles and buys gasoline.

The CHAIRMAN. Ernest Gruening, Director, Division of Territories and Island Possessions, Department of the Interior.

STATEMENT OF HON. ERNEST GRUENING, DIRECTOR, DIVISION OF TERRITORIES AND ISLAND POSSESSIONS, DEPARTMENT OF THE INTERIOR

Mr. GRUENING. Mr. Chairman, I am going to make my statement very brief. The Department wishes to register a respectful but emphatic protest against the insertion of paragraphs (a), (b), and (c) of section 207, on the ground that these paragraphs impose a unique and unwarranted discrimination against parts of the United States.

The position that we take is that Hawaii, Puerto Rico, and the Virgin Islands are integral parts of the United States.

Senator CLARK. Your Department has nothing to do with Hawaii, have you?

Mr. GRUENING. Oh yes, we have.

Senator CLARK. What?

Mr. GRUENING. We have supervision over the affairs of Hawaii in the Department of the Interior, through the Division of Territories and Island Possessions. We feel that to impose this restriction is setting an inexcusable precedent, that it penalizes these areas of the United States which have no vote in the Congress, which have not even a voice in the Senate, which have a voice in the House but no vote, and that this in effect is the establishment of Old World colonialism, under the Stars and Stripes, something which should be repugnant and repulsive to our ideas of democracy.

There is no reason why the citizens of those Territories have not the same right to process their products as the citizens in Massachusetts and Michigan—and Colorado.

Now there has been so much argument and counterargument in the effort to prove that this is a restrictive bill and that restriction and limitation are of the essence of the bill that I want to point out that this particular restriction, the restriction on the last part of the processing, that is, the refining, exists only against these three Territories and island possessions. Everywhere else sugar may be processed to the full extent of its quota. There is no limitation whatever upon the processing of beets in the State of Colorado or in the State of Michigan, but in Hawaii, Puerto Rico, and the Virgin Islands our citizens are restricted.

Senator CLARK. Is Massachusetts processing all the sugar it raises, too, under this bill?

Mr. GRUENING. Yes—they can.

Now if you impose this restriction there is no reason why some day States that wish to set up automobile manufacturing should not say to the State of Michigan, "You are manufacturing enough automobiles, and you shall not make any more."

Senator VANDENBERG. I fully expect they will do that if they keep on going the way they are.

Mr. GRUENING. You do not approve it, do you, Senator?

Senator VANDENBERG. No; I do not.

Mr. GRUENING. Well, that is exactly the point. The question of labor has been raised. I think it has been pointed out that the number of laborers involved is not large and this issue can be met by——

Senator BROWN (interposing). Mr. Gruening, on that question of restriction, when the Department of Agriculture allots to a certain factory a certain quota, that is a very real restriction upon the refining capacity of that plant, is it not?

Mr. GRUENING. That is right, Senator, that is done by agreement affecting all beet-sugar-producing areas. There is no further limitation on the refining of the total amount of the quota.

Senator BROWN. But the effect of it is as I have pointed out heretofore, that refineries which in ordinary times were operated in the State of Michigan and in the State of Ohio are now not operating because of that restriction. The men who have the money invested in a refinery in Toledo, Ohio, are prevented from operating that plant by reason of these restrictions.

Mr. GRUENING. Senator, is there not a difference between not being able to refine a product that does not exist, and being forbidden to refine a product, the only product that you have? Now there are cane fields lying idle in Hawaii and Puerto Rico because of the quota system, and there may be beet fields, actually or potentially, which are not growing beets, but all the beets that you grow can be sent to your processing plants. In the Territories that is not permitted. That is the essential difference.

Senator BROWN. In the same way they have been refined, historically speaking, through the years in the sugar industry in the United States, and all this bill does is in effect to perpetuate that historical system for handling the business.

Mr. GRUENING. If you are establishing it on the historical basis it will mean that no new industry can start anywhere, if you accept that principle.

Senator BROWN. He cannot set up a beet-sugar refining plant in Michigan. We have had to shut down three of them.

Mr. GRUENING. But I still insist that you can refine all the beets that you grow. Now that first part is an agricultural question. We have no quarrel with the agricultural provisions of this bill. There are ways in which we could find them more satisfactory and so the Territories could use more sugar quota. Every section wants more quota.

We specifically object to the restriction on the processing, and we protest against it on the fundamental principle which we think is much greater than sugar. We think it is a matter of permanent statesmanship, that if Congress can legislate against Territories which are voteless and unprotected, and levy restrictions upon them of this character, we are essentially going back to the factors which caused us to seek out independence from Great Britain, and which caused the rebelling of the Colonies against the tyranny and opression of mother countries in the Old World. That certainly has always been foreign to American concepts, and in our view should continue to be.

The CHAIRMAN. Thank you very much.

Senator CAPPER. They are on an even basis with the District of Columbia so far as the voting situation is concerned, are they not?

Mr. GRUENING. I think that is true, sir.

Senator LONERGAN. Is most of the money invested in refineries outside of the mainland of the United States American capital?

Mr. GRUENING. It is all American capital.

Senator LONERGAN. It is all American capital?
Mr. GRUENING. In the Territories now and possessions; yes.
Senator LONERGAN. Would you favor the abolition of the quota system?
Mr. GRUENING. You mean the raw-sugar quota system?
Senator LONERGAN. Yes.
Mr. GRUENING. That is a part of a policy which seems to be pretty generally accepted by all concerned, but if your question is whether we would prefer to have this bill with the discriminations in it, or no bill, I would say I would much prefer to have no bill than to establish this discrimination.
Senator LONERGAN. I am asking you, do you favor an open field of competition, with no quota at all?
Mr. GRUENING. Speaking officially, this is part of the administration's policy, and therefore I am here supporting it.
Senator LONERGAN. Now do you think that that would be of material benefit to the consuming public?
Mr. GRUENING. Yes.
Senator LONERGAN. The plan you advocate?
Mr. GRUENING. The plan of imposing no restrictions on Hawaii and Puerto Rico?
Senator LONERGAN. Yes.
Mr. GRUENING. I do not think in this particular instance the consuming public is greatly affected.
Senator LONERGAN. You do not think so?
Mr. GRUENING. No.
Senator LONERGAN. It would be no particular benefit?
Mr. GRUENING. I think in that particular case there would be no great benefit, no.
The CHAIRMAN. Thank you very much.
Senator CLARK. Doctor, is there any connection on earth between an agricultural processing bill and an agricultural logging bill, and a bill having to do with manufacturing?
Mr. GRUENING. None whatever. I do not see why they are tied up together.
Senator CLARK. This bill as I understand it is a combination of those interests that are represented or that are from sections that have votes in the House of Representatives and in the Senate, and if Hawaii and Puerto Rico had votes in the House of Representatives and Senate, Gaul, instead of being divided into three parts, would be divided into five parts. Is that correct?
Mr. GRUENING. That is right. This is a case where the refiners have simply been riding in on the coat tails of the beet sugar growers.
The CHAIRMAN. Dr. S. L. Hilton, of Washington, D. C., representing the American Pharmaceutical Association.

STATEMENT OF DR. S. L. HILTON, OF WASHINGTON, D. C., REPRESENTING THE AMERICAN PHARMACEUTICAL ASSOCIATION

The CHAIRMAN. Doctor, I understood you wanted to make a very brief statement.
Dr. HILTON. A very brief statement.
The CHAIRMAN. All right.
Dr. HILTON. Mr. Chairman, there is only one portion of this bill to which we have any objection, and that is on page 26, lines 9 to 12,

which places a tax on blackstrap molasses and the maufacture of alcohol.

The CHAIRMAN. That proposition is the one that Mr. Austern discussed?

Dr. HILTON. That is the proposition that Mr. Austern discussed.

The CHAIRMAN. Do you agree with his views?

Dr. HILTON. We agree with his views entirely, and we believe if that is carried out it is going to go further to increase the cost of medicinal supplies, and the cost of medical care at the present time is certainly high enough. With a big majority of medicinal preparations that have to contain alcohol the present tax of $4.18 a gallon on alcohol makes alcohol cost us $5.50 today, whereas before N. R. A. it only cost us $4.00. This is going to bring it up to about $6.

The CHAIRMAN. You represent the American Pharmaceutical Association?

Dr. HILTON. I represent the American Pharmaceutical Association, the retailers of the country.

The CHAIRMAN. Thank you.

Mr. CLEVELAND. Mr. Chairman, I need not take the time of the committee. The American Automobile Association is opposed to this plan, the blackstrap molasses amendment. A statement has been given here by others. I will be willing just to file this and say that our interest is due to the fact that it will increase the cost of industrial alcohol, which is used in antifreeze solutions, which would be an additional tax on the motorists, which we are opposed to.

Senator CLARK. You want blackstrap to stay on the free list, do you?

Mr. CLEVELAND. I do not think there should be this change, no sir.

Senator CLARK. How about automobiles? Do you think we ought to put them on the free list?

Mr. CLEVELAND. No.

Senator CLARK. That is all.

(The statement presented by Mr. Cleveland is as follows:)

STATEMENT BY WASHINGTON I. CLEVELAND, REPRESENTING AMERICAN AUTOMOBILE ASSOCIATION, BEFORE THE SENATE FINANCE COMMITTEE, MONDAY, AUGUST 9, 1937

Mr. Chairman and members of the Senate Finance Committee: As an organization of car owners, who represent one of the largest consumer markets for industrial alcohol as anti-freeze solutions, the American Automobile Association is vitally interested in an amendment contained in the sugar bill (H. R. 7667), as it was passed by the House.

This amendment provides for an excise tax on inedible molasses when used in the manufacture of industrial alcohol. Therefore, it would undoubtedly result in a substantial boost in the price to motorists, who use from one-fourth to one-third of the annual output.

In this connection, we might remind you that the Congress has just continued the series of special motor excise taxes for another 2 years. Thus the amendment to the sugar bill proposed another tax that will bear heavily on car owners, and at a time when motorists are bearing an unreasonable share of the total tax burden.

We are fully aware of the importance of the farm problem and

the need for raising farm income. But we do not believe that motorists—and farmers own nearly a fifth of all vehicles—should be singled out for a disproportionate share of the cost, even if the amendment in question would bring the desired aid to agriculture.

Witnesses for the Chemical industry who are familiar with alcohol production costs and the details regarding the effect the proposed tax on blackstrap molasses would have, will undoubtedly present full information to your honorable committee. For this reason, I shall only urge that the Senate Finance Committee refuse to sanction another indirect tax on motorists.

The CHAIRMAN. Mr. Denny.

STATEMENT OF HENRY W. DENNY, VICE PRESIDENT, COMMERCIAL SOLVENTS CORPORATION

The CHAIRMAN. I understood you wanted to place in the record something.

Mr. DENNY. As a matter of fact, here is a variety of industrial chemical products made from molasses. We would just like to place this in the record in opposition to the Lucas amendment covering the duty on molasses.

(The statement submitted by Mr. Denny is as follows:)

Hon. PAT HARRISON,
Chairman, Senate Finance Committee,
Washington, D. C.

MOLASSES AS RAW MATERIAL FOR THE MANUFACTURING OF INDUSTRIAL CHEMICALS

There are four manufacturers in the United States who are now producing from molasses a special class of industrial chemicals essential to industry, to medicine, and to scientific pursuits. These chemical products, now made from molasses, are of major importance to the automobile industry and to more than 40 other basic American industries.

Commercial Solvents Corporation, the oldest and perhaps the largest of these four companies, has factories located in the heart of the grain belt at Terre Haute, Ind., and Peoria, Ill. The plants were thus located because the manufacturing operations were founded on the use of corn as a raw material, and up to a few years ago no other raw material was used. But in recent years large oil companies have made the same products which Commercial Solvents manufactures—or products which substitute therefor—from waste gases obtained as byproducts of their oil-refining processes. With the advent of competition from products made fr[illegible] waste manufacture of industrial chemicals, as well as in the byproducts of petroleum refining, Commercial Solvents sought a less expensive raw material than grain. As a result of this research, new processes of manufacture were developed, based on molasses as raw material. This use of molasses as raw material instead of corn was forced by competition from petroleum, and it is of the utmost importance to you gentlemen in your deliberations to appreciate that in the chemical industry, as well as in the industrial-alcohol industry, molasses is not competing with corn or other grain. The competitor of corn in the manufacture of chemicals and industrial alcohol is petroleum.

Any increase in the cost of molasses brought about through an import or excise tax cannot result in the use of one additional bushel of corn for the production of industrial alcohol or chemical products. Such a tax would simply tend to destroy an industry which is set up physically and technically to utilize grain for the production of industrial chemicals at that future time when grain may become competitive with petroleum.

Worthy of serious consideration in connection with any thought of imposing a tax upon any natural product of byproduct, be it grain or molasses, is the discouraging effect which such tax must have on the extensive research now going on to broaden the industrial use of farm products and so provide a market for farm surpluses.

In closing, it should again be pointed out that in the manufacture of industrial chemicals, as well as in the manufacture of industrial alcohol, molasses is in no way competitive with grain. It is petroleum, not molasses, which now precludes the use of grain for the manufacture of widely used industrial chemicals and industrial alcohol.

We, therefore, respectfully urge that lines 9 to 12 on page 26 be deleted from H. B. 7667 and that the words "or for the distillation of alcohol" be reinserted in line 21 on page 30.

Respectfully submitted.

COMMERCIAL SOLVENTS CORPORATION,
By HENRY W. DENNY, *Vice President.*

(Signed) HENRY W. DENNY.

The CHAIRMAN. Colonel W. C. Rigby, counsel for Puerto Rico.

STATEMENT OF HON. WILLIAM CATTRON RIGBY, COUNSEL FOR PUERTO RICO

Mr. RIGBY. I cannot add much more, Mr. Chairman, to what has been said by the representatives of the industry in Puerto Rico and Doctor Gruening. I have here a brief statement which I had handed to Mr. Quinn and he asked to put it in the record, and I ask to put it in the record.

The CHAIRMAN. Very well.

(The memorandum presented by Colonel Rigby is as follows:)

WILLIAM CATTRON RIGBY,
Counsel for Puerto Rico, Southern Building,
Washington, D. C.

AUGUST 9, 1937.

Memorandum, re Sugar bill, H. R. 7667.

The Government of Puerto Rico is heartily in sympathy with the general purposes of this bill. Some features are, however, unfair to Puerto Rico. The basic raw sugar quota estimated to allow us only 798,000 tons, substantially lower than Puerto Rico's quota under the Jones-Costigan Act, and very much lower than its normal sugar production, will materially add to the unemployment problem.

Section 207 (b) limiting the portion of its quota that Puerto Rico may ship as refined sugar, and prohibiting Puerto Rico from processing more than a certain amount of its own sugar, is a direct discrimination between American citizens in the mainland and American citizens in Puerto Rico. It is not properly a part of an agricultural quota system. It has nothing to do, directly, with the use of land. Puerto Ricans, equally with Virginians, New Yorkers, Iowans, or Texans, are entitled to the basic constitutional rights of equality before the laws, freedom of contract, and of commerce. There is even an added responsibility to Puerto Ricans because of their territorial status, not represented by Senators and Represenatatives with voting power. They are proud of their citizenship, and correspondingly sensitive to injury.

Puerto Rico is a good market for the mainland, to be encouraged. It cannot raise its own food; has no substantial manufactures. Its food comes from mainland farmers; machinery and utensils from mainland manufacturers. With its dense population, more than 500 to the square mile—a farming community with almost one person to every acre—It could not raise enough beans or peas or other foodstuffs to feed itself. It must raise high acre value crops to trade for food from the mainland. Sugar is the great staple. An acre producing an average of 3½ tons of sugar will bring at a market price of $3.45 per hundredweight, a gross return of $240 that will buy, for example, the rice raised on 4 1/10 acres in Louisiana; the wheat from 13 1/10 acres in the midwest, the beans from 6 acres, the potatoes from 2 1/10 acres, the corn from 9 1/10 acres.

That is why the little island of Puerto Rico, with a total gross acreage for the entire island, including mountain tops and forests, of only around 2,200,000 acres, bought last year, 1936, as much as $86,350,000 worth of goods,—largely food—from the mainland. That is to say, more than $43 was brought from the mainland last year, for every single acre of the entire island acreage. That is a good market for the mainland. The little island bought more mainland

goods than any other area in the New World, except Canada. It held up steadily during the depression. It is not a luxury market, not a fairweather market, but is a dependable constant market for necessities.

(Signed) WILLIAM CATTRON RIGBY,
Counsel for Puerto Rico.

Mr. RIGBY. I just want to say one word about the effect of the restriction on the refined sugar, because that seems to us, representing the government of Puerto Rico and the American citizens in Puerto Rico, something that really does not have anything to do with a bill fixing quotas on the output of the land at all.

It is an industrial matter. It is the same in substance as saying to steel manufacturers, "That you smelt so much iron and ore at Pittsburgh, and no more," or "That you may not smelt iron and ore in Chicago, but must smelt a certain amount of it in Pittsburgh." It is an interference with the basic American right of manufacturing one's product in one's own way, and it seems to us wholly different from the other matter.

Now, as to the restrictions on the mainland refineries some question was asked. As I understand it there is no restriction in this bill as to the output of any mainland refiner. The total amount permitted to come into the United States under this bill is the total amount of the United States consumption, what would come in any way and any refiner on the mainland has the right to refine any portion of that that he pleases or that he economically can, whereas the refiner in Hawaii or in Puerto Rico is told, "You may not refine more than such and such a portion."

We want to call that to your attention.

The CHAIRMAN. Thank you very much.

Is Colonel Eager in the audience?

STATEMENT OF LT. COL. HOWARD EAGER, BUREAU OF INSULAR AFFAIRS, WAR DEPARTMENT

Mr. EAGER. Mr. Chairman, this bill has been examined in the War Department, solely with reference to its relations to the Philippines Independence Act. The War Department has suggested two amendments, one of which is already in the bill, having been taken care of in the House by an amendment introduced by the Chairman of the House Committee on Agriculture. It provides that in no case shall the quota for the Commonwealth of the Philippine Islands be less than the duty-free quota now established by the provisions of the Philippines Independence Act.

We simply ask that that provision remain in the bill.

There is another amendment which the War Department suggests to the committee. It is more or less academic, but I think it should be in there as a matter of principle. In the bill, page 8, lines 18 to 22, the provision which now reads:

Any portion of such sugar which the Secretary determines cannot be supplied by domestic areas and Cuba shall be prorated to foreign countries other than Cuba on the basis of the prorations of the quota then in effect for such foreign countries.

Senator WALSH. You desire that stricken out?

Mr. EAGER. No. We suggest that that be amended by including with the foreign countries the Commonwealth of the Philippines. In other words, if that is not done there would be a discrimination against the Philippines as compared to foreign countries.

Senator BROWN. It would put the Philippines on an equality?

Mr. EAGER. Yes; our proposed amendment would. As it stands now the foreign countries would get any excess quota. I said that that is an academic proposition.

Senator CLARK. That is on the theory that the Philippines are neither a foreign country nor subject to domestic action?

Mr. EAGER. As the bill reads now.

Senator CLARK. So if you do not put in that amended form they would be put in a class below that of a foreign country?

Mr. EAGER. They are excluded altogether.

Now as a matter of fact the way it works out under the present conditions, it is impossible for the Philippines to import into the United States full duty sugar. However, should the circumstances change for some reason, at least they should be put on an equality with foreign countries in enabling them to ship in full duty sugar in excess of the amount provided for free sugar under the Tydings-McDuffey Act.

I have this amendment here that I would like to submit.

Senator WALSH (Acting Chairman). The amendment may be put in the record.

(The amendment proposed by Mr. Eager, on behalf of the War Department, is as follows:)

Page 8. Lines 18–22, change to read:

"Any portion of such sugar which the Secretary determines cannot be supplied by domestic areas and Cuba shall be prorated to the Commonwealth of the Philippines and to foreign countries other than Cuba on the basis of the prorations of the quota then in effect for the Commonwealth of the Philippines and for such foreign countries."

Senator BROWN. Was that point raised in the House hearing?

Mr. EAGER. It was not raised in the House and it was not included.

Senator BROWN. Is there any objection to it, so far as you know?

Mr. EAGER. Not so far as I know.

Senator BROWN. I think that probably you would have to cover that.

Mr. EAGER. I think probably the wording was defective.

The CHAIRMAN. Who is the next witness? I want to get to one or two here. Then call Mr. Boyd J. Brown, president of the Virgin Islands Co.

STATEMENT OF BOYD J. BROWN, PRESIDENT OF THE VIRGIN ISLANDS CO.

Mr. BROWN. I represent the Virgin Islands Co., the Island of St. Croix, and for the same reason that has been expressed here by the other representatives from the Territories, the objection here is on the matter of discrimination. In other words, in connection with direct-consumption sugar.

Senator WALSH. Your position is the same as Dr. Greuning's?

Mr. BROWN. Yes.

Senator WALSH. And these representatives of Puerto Rico?

Mr. BROWN. Yes.

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

Is Mr. Charlton Ogburn in the audience, representing the American Federation of Labor? I understand he wanted to place something in the record. He has that permission if he wants to.

Is Governor Cramer in the audience?

STATEMENT OF HON. LAWRENCE W. CRAMER, GOVERNOR OF THE VIRGIN ISLANDS

Mr. CRAMER. I want to support everything that has been said by Dr. Gruening in behalf of the Virgin Islands, and urge the deletion of section 207 (c) of this bill on the ground that it is discrimination against the citizens of the Virgin Islands, who are citizens of the United States. We there would be happy to accept any restriction on volume that is placed on any other part of the country.

Senator WALSH. How much refining do you have there?

Mr. CRAMER. None whatsoever, and we feel that this question is a discrimination against the citizens of the United States, in if there is to be a restriction on citizens, it should be a general restriction.

The CHAIRMAN. Thank you very much.

Without objection, the committee will adjourn until 2 o'clock, at which time we will hear Mr. Charles M. Kearney, who is the only other witnesses except some representatives of the departments.

(Whereupon, at 12:10 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order. Is Mr. Kearney in the audience?

STATEMENT OF CHARLES M. KEARNEY, PRESIDENT OF THE NATIONAL BEET GROWERS ASSOCIATION

Mr. KEARNEY. My full name is Charles M. Kearney. I am president of the National Beet Growers Association, which is an organization representing the sugar-beet farmers of eight Western States. My residence is Morrill, Nebr.

The CHAIRMAN. Proceed, Mr. Kearney.

Mr. KEARNEY. Mr. Chairman and gentlemen of the committee, I only desire to make a brief statement, and before I proceed with it, I would like to make an informal statement concerning the suggestions of the representative of Cuba who testified that there was no emergency at the present time, and, if I remember correctly he said that this is permanent legislation.

As we understand it, it expires December 31, 1940, and runs approximately 2½ years. There is an emergency, as far as the sugar-beet farmers are concerned, and we just must take exception to any such implications, that we are not in a situation which needs some relief.

The Jones-Costigan Act and its operation since 1934, when it was enacted, has been a very substantial help to us, but we faced a court decision in 1936, and we have no relief except the reenactment of the quotas. It might do the job completely. There is a very decided emergency existing among sugar-beet farmers of the West.

I feel that it is fair to state to you, gentlemen, that we are seriously and earnestly needing some sugar legislation.

The members of this committee, I am sure, recogize the importance on the agriculture of the West of sugar beets. More than 70,000 farmers each year raise sugar beets on approximately 1,000,000 acres of land and extensive livestock-feeding operations, directly connected

with the industry, are carried on in the areas where sugar beets are produced. The sugar-beet farmers, together with their families, field workers and their families, and other laborers, comprise several hundred thousand people, whose support and welfare are in whole, or in part, dependent upon the industry.

I know that this committee is familiar with the origin and history of the Jones-Costigan Act and sugar legislation, which I have just referred to as being very beneficial in stabilizing, or going a long way in stabilizing, the sugar industry and the sugar beet farming industry in particular.

The problem resulting from the depression and the reduction of the tariff on sugar—and particularly the preferential reduction granted Cuba under our existing reciprocal trade agreement have continued the need for legislation.

The experience under the operation of the quota system and the accompanying benefit payment and tax program, which latter terminated after the decision in the Hoosac Mills case, shows that the program was sound and operated successfully in stabilizing the sugar industry as a whole and in restoring to sugar beet and sugarcane farmers a fair income from their crops.

It must be obvious how vitally important and necessary it is to the sugar beet industry, and the many persons dependent upon it, that sugar legislation be passed at this session, continuing such a program.

Because of the Hoosac Mills case and the failure of Congress to enact a complete sugar program last year, although the quota system was continued, farmers were deprived of benefit payments on their 1936 sugar beet crop, contemplated by that program.

This year these farmers are faced with an even more serious situation if there be no legislation. Not only will they again receive no payments for their crop, but, in addition, the quota system will expire at the end of this year with resultant loss of its stabilizing influence and a consequent reduction of price levels of sugar below a point at which sugar beets can be probably grown.

In anticipation of the termination of the quota system, this price decline undoubtedly will occur long prior to the expiration date of the quota system.

The situation is further accentuated by the fact that farmers throughout the country have entered into contracts for the production of sugar beets for the current crop year and have employed laborers and entered into labor contracts at substantially increased wage rates, relying upon the passage of sugar legislation in accordance with the President's message to the Congress of March 4, 1937, recommending the passage of such legislation.

If such legislation be not enacted, these farmers are presently faced with irreparable loss, and, unless the principles of a quota system and payment to farmers be enacted, the raising of sugar beets in many areas will be abandoned, and the economic existence of the entire beet sugar industry will be seriously endangered. I cannot urge too strongly that your Committee exert every effort to enact sugar legislation immediately.

Even though sugar legislation might be enacted at an early date during the next session of Congress in 1938, that could not obviate

the losses which the farmers would sustain with respect to the marketing of the current crop sugars, due to the immediate depressing effect which uncertainty with respect to future sugar legislation would have on current sugar prices.

I desire to comment upon certain specific provisions contained in the proposed legislation.

First, is the matter of the quota for the domestic sugar beet area. Domestic sugar producers, whom I represent, object in principle to any reduction in quotas for the domestic beet area from their basis established in the Jones-Costigan Act, or any decreases in the relative percentage of participation in increases in consumption, but, at the same time, appreciate the practical difficulties confronting Congress, at this time, with respect to a reallocation of quotas, which circumstances apparently make necessary. Therefore, in view of the short duration of the proposed legislation, which expires on December 31, 1940, we are willing temporarily to forego this principle and contribute a portion of the quota, which the domestic beet area received under the Jones-Costigan Act, for the purpose of such reallocation.

Senator CLARK. How much contribution does that amount to?

Mr. KEARNEY. 63,000 tons, Senator.

Senator CLARK. Can you give us the percentage that was of the total?

Mr. KEARNEY. 63,000 tons out of a quota of $1,550,000. I may add at this point, that based upon an excise tax of 50 cents per hundredweight on raw sugar, we are satisfied with the rate for benefit payments of 60 cents per hundredweight on sugar raw value. Our position, however, was, and is, that if the rate of tax were 75 cents, then the rate for benefit payments should be in the same amount, namely, 75 cents.

Senator VANDENBERG. What is the tax now?

Mr. KEARNEY. 50 cents and the payment 60 cents, Senator.

There is no provision in either bill for the abatement of the tax on unsold sugars, held by the manufacturer at the termination of the tax. The tax imposed attaches at the time of manufacture and is payable as and when the sugar is sold, being ultimately payable, however, whether the sugar be sold or not, 12 months after manufacture.

Beet sugar is manufactured each crop year during a period of 3 or 4 months and is sold over a period of approximately 12 months. Consequently, whenever the tax terminate, the beet sugar industry will have substantial inventories of sugar on hand, upon which the tax will be ultimately payable.

Senator TOWNSEND. May I ask a question?

Mr. KEARNEY. Yes, sir.

Senator TOWNSEND. Does this affect floor stock in manufacture?

Mr. KEARNEY. No, sir, it does not. The old Jones-Costigan Act had a floor stock tax.

These inventories on hand will be sold after the termination of the tax in competition with refined sugar, manufactured or imported from foreign countries, after the termination of the tax, and upon which no tax therefore will be payable.

This will place the beet sugar industry at a distinct competitive disadvantage with these tax-free sugars and result in a substantial loss to both sugar beet farmers and sugar beet processors, the

farmers bearing that proportion of such loss, since the price they receive for sugar beets is determined by the net price received by the beet processor for the sugar sold.

It seems only fair, therefore, that this loss should be avoided by providing for the abatement of the tax on sugars unsold and on hand when the tax terminates. To accomplish this provision for abatement we suggest the following amendment to the Senate bill:

At page 28, line 7. Substitute "semicolon" for "period" and add the following:

"and that, if and when the tax ceases to be in effect, no return or payment of the tax with respect to such sugar which has not been so sold or used shall thereafter be made."

The amendment does not contemplate the refund of any taxes paid upon sugar.

The remaining suggestion is directed to the provision in the House bill, which continues the excise tax on sugar until June 30, 1941, notwithstanding the fact that the quota system established terminates 6 months prior thereto, on December 31, 1940.

It is our understanding that the tax and quota provisions are complementary. The President in his message to Congress on March 1, 1937, stated:

> I recommend that neither the quotas nor the tax should be operative alone.

This amendment was inserted in the House bill as passed, as a committee amendment, immediately prior to its passage and had not appeared in any bills under consideration prior to that time.

Congressman Jones stated to the House that the purpose of the continuance of this tax until June 30, 1941, was " . . . so that the tax will apply uniformly on the whole year's crop."

It is unnecessary to extend the tax to accomplish this purpose because practically the whole year's crop in all producing areas has been harvested and manufactured into sugar prior to December 31, 1940.

After the termination of the quota system, obviously the imposition of a tax, even for a 6 months' period, in the absence of any program as a substitution for a system, would be a cumulative factor in bringing about a serious decline in price levels. As a result, even though benefit payments be made to the farmers on account of sugar which was sold during that period, the purpose and effect, of such payments would be in a large degree defeated.

It follows, therefore, that the continuance of the tax, after the quota system has terminated, would result in a severe loss to the farmers. We therefore ask that the tax terminate on December 31, 1940, as originally provided.

I point out in this connection that, whether the tax be continued or not, a provision for the abatement of the tax upon its termination should be included in the bill.

May I again urge that we have sugar legislation before the adjournment of this Congress.

Senator VANDENBERG. Mr. Kearney, before leaving the stand, what have you got to say about the price-control formula in section 201? Can you tell me what it means?

Mr. KEARNEY. I cannot. I do not know what it will mean to farmers. I have discussed it frequently with gentlemen in the Department of Agriculture, and they have indicated that there were not sta-

tistics or data available which would enable them to determine definitely what that would mean to us.

Senator VANDENBERG. Do you think it is possible to obtain the type of information which is described here?

Mr. KEARNEY. I would not say it was impossible, but I feel like it is almost a herculean task.

Senator VANDENBERG. I guess that is the same thing, as far as I am concerned.

The CHAIRMAN. Any other questions?

Senator CLARK. Mr. Kearney, what is the attitude of your association toward subsections (a), (b), and (c) of section 207 of this bill?

Mr. KEARNEY. Senator, that is, of course, a very controversial proposition. We are interested in obtaining sugar legislation.

Senator CLARK. Does your association have any objection to striking out the old subsection?

Mr. KEARNEY. I would just say that we have considered the bill as passed by the House as fair under all the circumstances.

Senator CLARK. It depends upon whom it is fair to. I would like to ask whether your association has any objection to subsections (a), (b), and (c) of section 207. In other words, this much is true, is it not, Mr. Kearney:

That for at least 40 years, ever since I can remember, there has been a conflict all over the United States and more or less a conflict between the beet sugar producers and the cane sugar producers? That is true, is it not?

Mr. KEARNEY. That seems to have been true; yes, sir.

Senator CLARK. And there has also been a great conflict between the cane sugar producers and the beet sugar producers and the cane sugar refiners. You are familiar with the efforts of the Government to break up the so-called Sugar Trust, represented I understand in large part by the American Cane Sugar Refining Co. That is an old struggle, is it not?

Mr. KEARNEY. I have heard it said.

Senator CLARK. Now is this true or is this not true, Mr. Kearney: That in the framing of this bill the basis of agreement on the bill was without any reference to the merits of the bill but with respect to those interests and sections in the sugar industry which had votes in the Senate and House? In other words, is not the only reason for the inclusion of subsections (a), (b), and (c) of section 207, the fact that there are certain sugar refiners located in certain Eastern States which have nothing to do with the production of sugar?

Mr. KEARNEY. Senator, I would say this——

Senator CLARK. Now I think that is a fair question, Mr. Kearney.

Mr. KEARNEY. Yes; and I will try to answer it.

Senator CLARK. All right, sir.

Mr. KEARNEY. The Jones-Costigan Act had such provisions in it. It operated successfully, so far as beet farmers were concerned, rather successfully. I think possibly more successfully than any other of the Agricultural Adjustment programs which operated in the West. And the President on March 1, 1937, said that he urged the Congress to reenact the principles of the Jones-Costigan Act.

And, further than that, in conjunction with Senators O'Mahoney and Adams—I do not know whether either one of them is here,

but I happen to know something about it—the Department of Agriculture prepared a bill.

Senator CLARK. Do I understand that the Department of Agriculture is in favor of this bill as it passed the House?

Mr. KEARNEY. I could not speak for them as to that. I have not talked to any of them since, but I assume they are not.

Now then, the bill contained the provisions referred to. After the President's statement, the Beet Growers' Association took a position that we could and would go along with the reenactment of the principles of the Jones-Costigan Act. I thought that was a fair position to take.

The Department had prepared that bill, I have been reliably informed, and Senators Adams and O'Mahoney introduced it in the Senate, and Congressman Jones in the House.

That position has been continued; namely, that a reenactment of the principles of the Jones-Costigan Act were entirely satisfactory to us.

Senator CLARK. What I am getting at, Mr. Kearney, is this:

There was no community of interest between your Association and the cane sugar people on the Atlantic Coast?

Mr. KEARNEY. That is correct.

Senator CLARK. Either economic or in any way, to the present joint support of the measure which passed the House?

Mr. KEARNEY. That is correct, and if they support the measure and we do, we are both supporting it.

Senator CLARK. Yes, sir, I can observe that by looking around here.

Mr. KEARNEY. If Louisiana supports it, they are supporting it, and if Florida does not, they are not. I cannot see the connection between that.

Senator CLARK. Yes, sir, and is not this true, that if Puerto Rico and Hawaii had votes in the House and Senate, they would have been taken in on the split, too?

Mr. KEARNEY. I do not know. They were consulted in the preparation of the original bill, as I understand.

Senator CLARK. To put it more bluntly, Mr. Kearney, on last Friday in the debate in the House, Congressman Cummings, one of the outstanding supporters of the measure and, as I understand it, one of the principal champions of the beet-sugar industry, said, in referring to these subsections (a), (b), and (c) of section 207:

> If these two provisions were cut out, it would not make a bit of difference to the beet growers of the United States.

Is that correct or not in your opinion?

Mr. KEARNEY. In my opinion, that is not entirely correct.

Senator CLARK. What modification would you make in the remarks?

Mr. KEARNEY. We have been advised by the people who market our sugar, our processors, that frequently it does make a difference. The imported refined sugar tends to have a disturbing effect on the market which we obtain for our sugar.

Senator CLARK. You mean to say that you are informed by the processors of the beet sugar that you get a better price for your beets if Hawaiian sugar or Puerto Rican sugar is refined in Massachusetts,

Connecticut, or New Jersey than if it is refined in Hawaii or Puerto Rico?

Mr. KEARNEY. I would like to suggest this:

That I heard a gentleman representing Mr. Hershey, I think—his name has slipped my mind—state in the House hearing they sold their refined sugar for 5 cents per hundredweight less than cane sugar was selling for in this market in the United States.

Our processors who have marketed our sugar have repeatedly told us that the refined sugars coming in had a disturbing effect on the market.

Senator CLARK. Mr. Kearney, is not that a little different proposition, the effect of sugar coming in from Cuba on the market, rather than the question of sugar produced in the United States territory, the question of where it is refined? I can understand that the Cuban question is a very complicated one and a different one.

Mr. KEARNEY. It is, sir.

Senator CLARK. Because they are outside the United States and the question of tariff enters in, and other considerations which are essentially different?

Mr. KEARNEY. It does, sir.

Senator CLARK. But this question which I am asking you has to do entirely with the question of whether sugar produced in American territory is refined in the territory in which it is produced or refined somewhere else? Does that affect the beet-sugar industry in any way?

Mr. KEARNEY. It does. It comes into the State of California. Our growers' association out there have complained on various occasions that the imports of refined sugar have a depressing effect upon their market for their beet sugar. Our association out there is on record to that effect. I have never been there.

Senator CLARK. Are you familiar with the subject so as to give an explanation as to why that is true?

Mr. KEARNEY. No; I am not. I am not a marketing expert.

Senator CLARK. I understand, and I am not trying to ask you any questions on anything on which you are not prepared to testify.

Mr. KEARNEY. I am just passing on to you the situation which has been brought to our attention by our processors who market our sugar, and the growers who have been up against that kind of competition.

Senator CLARK. Mr. Kearney, just to be frank among us girls——

Mr. KEARNEY. How about the rest of the boys?

Senator CLARK. Is not this the fact: That you are for the bill as it passed the House because you think that subsections (a), (b), and (c) of section 207 insure you some additional votes in the Senate to pass the bill, and that Hawaii and Puerto Rico are left out because they have no votes in the Senate?

Mr. KEARNEY. No, that was not the reason. We are for legislation, Senator. We need legislation in the beet sugar industry.

Senator CLARK. That is a very laudible position, but what I am asking you is, is not the basis of your support of this controversial section that you think it will promote the passage of the bill rather than the justice of the provisions in the section?

Mr. KEARNEY. We have not particularly supported that controversial section; we have supported the bill that the House of Rep-

resentatives felt was fair and passed. So I cannot say, "Let us overturn that."

We won't get any legislation, possibly, if we insist on a new program.

Senator CLARK. Would your association have any objection to the deletion of section 207?

Mr. KEARNEY. Our association would not object to any legislation that this Committee, or the Congress of the United States, gives us. We will be for it.

Senator CLARK. That is all.

The CHAIRMAN. Thank you, Mr. Kearney.

Mr. Bourg, you wanted just a few minutes on the sugar beet question?

Mr. BOURG. Yes, sir.

STATEMENT OF CLARENCE BOURG, REPRESENTING THE FARMERS' AND MANUFACTURERS' BEET SUGAR ASSOCIATION OF SAGINAW, MICH.

Mr. BOURG. My name is Clarence Bourg, representing the Farmers' and Manufacturers' Beet Sugar Association of Saginaw, Michigan.

The growers of Michigan, Ohio, Indiana, and Wisconsin, of which there are 22,000 growing beets directly——

Senator CLARK. Whom do you represent, Mr. Bourg? I did not catch it.

Mr. BOURG. The growers of Michigan, Ohio, Indiana, and Wisconsin who do not belong to Mr. Kearney's National Beet Growers' Association.

Senator CLARK. Do you have an association of your own?

Mr. BOURG. Yes, sir.

Senator CLARK. Or do you represent them voluntarily? In what way do you appear?

Mr. BOURG. I appear as their representative.

Senator CLARK. Are they organized?

Mr. BOURG. Yes, sir.

Senator CLARK. What is the name of the organization?

Mr. BOURG. Farmers' and Manufacturers' Beet Sugar Association. That is the federation, but they have their locals in each factory district.

The necessity of this legislation is well known, I am sure, to the Committee, but we would like to emphasize again the fact that the Secretary of Agriculture and other officials of the Department of Agriculture have repeatedly promised that there would be legislation this year, or a program, rather, with benefit payments and with quota control, and the growers of our area particularly planted beets with that understanding, and we are most anxious, of course, to have legislation. We are agreeable to the Jones bill as it passed the House, because it represents many months of very hard work and a series of compromises.

Naturally, we are not in favor of all provisions of the bill, particularly where the beet areas are deprived of their participation in the entire amount of the increased consumption since the Jones-Costigan Act was first passed. That amounts to 230,000 tons in all,

as the minimum basic quotas of all areas has been increased from the original 6,452,000 up to a total of 6,682,000.

Senator CLARK. Where does the increase and consumption go in the quota set up in this bill?

Mr. BOURG. After the quotas are exhausted, then all areas except the Philippines and other foreign countries, that is, other than Cuba, all excepting those who receive their shares of the increased consumption in accordance with the percentages in the Jones Act.

But the Philippines are not expected to increase their quota because they are not willing to pay duty on sugar.

Senator CLARK. I do not want to keep interrupting you, but what is the basis of your complaint? What do you think ought to be done with respect to that increase?

Mr. BOURG. The increase of consumption under the Jones-Costigan Act was divided by giving the first 30 percent to the continental area, and the beet area of course participated with the continental cane area. That reference has been eliminated and in addition thereto Cuba has been put in a preferential position with the domestic areas and now participates on the same basis as any domestic area; and that, in addition to the fact that the continental cane quotas have been increased, has deprived the beet area of their share of this increased consumption, which Mr. Kearney estimated at 63,000 tons, but we are willing to go along with the bill because the basic quota is allowed to remain at 1,553,000 tons.

We still believe in unrestricted production of sugar in continental United States, because it is a nonsurplus crop, but evidently the Administration is insisting upon having quotas, and, therefore, we yield on that, although we still believe in the principle.

If there is to be any increase at all in the quotas of any areas, certainly the beet area should be given its proportionate increase so that its relative position will remain the same.

Now, as to section 201, we have been unable to understand it, and it has never been explained. We would like to join the other areas in requesting that the Department of Agriculture witness be asked to explain it, so that we may know what the meaning of this new idea of price control in sugar legislation is, and how it will affect the growers, because it is now based on a five-crop proposition, and in the case of Michigan, Ohio, Wisconsin, and Indiana the competitive crops there are perhaps such that corn would be included, but in all other cases crops like beans, tomatoes, et cetera, would not be considered, and if a grower is going to determine whether he plants beets or something else, the basis of his profits certainly should not be what the cotton grower in the South makes, or what the wheat grower in other parts of the country makes.

Senator CLARK. Whom do you understand under this section determines that?

Mr. BOURG. The Secretary of Agriculture, but we have no means of ascertaining or anticipating how it will be done, because we have taken the Bureau of Agricultural Economics statistics for the past 10 years, and they show that all these five principal crops have lost money.

Senator CLARK. If you guess one way and the Secretary of Agriculture guesses another way, you are simply out of luck?

Mr. BOURG. I am not so sure that we are not that way anyhow.

Sugar is a nonsurplus crop, and, therefore, certainly should be considered in terms of legislation quite differently from surplus crops. The Senators know a lot more about that than I do, but I think for the record it can be stressed that it is necessary to approach the subject on an entirely different basis.

An attempt was made under the Agricultural Adjustment Administration to insert sugar as one of the basic commodities but when they did it they found it was necessary to insert amendments which were in themselves a completely new and different program. Therefore we are unable to understand, and we hope that the Department will explain in advance, exactly how this is to affect us.

We are willing to accept the Jones bill, and we hope that there will be legislation, because legislation is absolutely necessary to the beet growers of our area.

The CHAIRMAN. Thank you very much.

Senator TOWNSEND. Did you say that you represent the beet growers?

Mr. BOURG. Yes, sir.

Senator TOWNSEND. Were you before us Saturday?

Mr. BOURG. I represented the Louisiana growers at that time.

The CHAIRMAN. Is Mr. Montgomery in the audience?

Mr. MONTGOMERY. Yes, sir.

STATEMENT OF D. E. MONTGOMERY, CONSUMERS' COUNSEL, AGRICULTURAL ADJUSTMENT ADMINISTRATION

The CHAIRMAN. Mr. Montogemery, you are consumers' counsel of the A. A. A. Do you desire to make any statement at this time with reference to this matter?

Mr. MONTGOMERY. I was called by the secretary of the committee, Mr. Chairman, to answer questions concerning this legislation. I have not any prepared statement ready. I learned of it only at 12 o'clock this morning.

Senator LA FOLLETTE. Mr. Montgomery, you are consumers' counsel in the Department of Agriculture, are you not?

Mr. MONTGOMERY. That is right, Senator.

Senator LA FOLLETTE. Have you given any consideration to the effect of this bill on the consumers?

Mr. MONTGOMERY. Yes, I have.

Senator LA FOLLETTE. I would like to hear you discuss it from the point of view of the consumers for a little while. I do not think it would be out of place.

Mr. MONTGOMERY. The only way that I know of estimating the cost of sugar protection to consumers would be to compare the prices that are paid for sugar in the United States with the existing world or unprotected price of sugar. Theoretically of course, you should be able to compare the actual cost of sugar to us, within the protection wall, with what the world price for sugar would be if there were no protection and the entire United States demand was thrown into that market. We do not know what that world price would be, and I think any calculations attempting to arrive at it would be purely imaginary.

I point that out in order to show that the cost of sugar protection to American consumers, when it is computed as we have done, upon

the difference between the cost here and the actual world price, is a larger difference or a larger cost of protection than we probably would have if we could compute it against what the world price would be without protection.

With that qualification, I should point out that it has been stated by the Secretary in one of his published statements that the quota system probably added about $350,000,000 to the cost of sugar to the consumers in the United States in 1936. That figure is based upon sugar in the raw basis, that is, the market value of sugar.

Mr. Miles has testified many times before congressional sugar committees and has submitted his method of calculating what additional costs are added by protection from the time that the sugar is received here in its raw state until it is finally consumed as sugar or in manufactured products. I think his estimate was that that mark-up of sugar adds another $60,000,000 to the cost of production.

Senator CLARK. That would make about $410,000,000 all told?

Mr. MONTGOMERY. That would make about $410,000,000 all told, as I remember he figures it.

Senator TOWNSEND. Have you a break-down as to what it would be per pound?

Mr. MONTGOMERY. It amounts to something like 3 cents per pound or about 3 dollars per year per person.

Senator VANDENBERG. How can you come to a conclusion of that sort excepting if you also calculate what sugar might cost in this country, if we were left at the mercy of foreign imports and the domestic industry were entirely exterminated, as seemed to be the original objective of the Agricultural Department?

Mr. MONTGOMERY. I do not know about the original objective. As I pointed out at the start, I know of no way to compute with any degree of accuracy, and it would be a mere guess as to what the cost would have been in 1936 if we were buying our sugar entirely from the unprotected world market.

Senator VANDENBERG. It happened in 1920 or 1921, whenever it was, when the domestic competition disappeared, and we did buy exclusively under foreign pressure. How much did sugar sell for in the United States at that time?

Mr. MONTGOMERY. Of course at that time we had a very sharp increase in the price of all commodities in all markets throughout the world.

Senator VANDENBERG. How much did sugar sell for?

Mr. MONTGOMERY. The average duty paid and the duty-paid price of sugar in New York in that year was about $24 per ton, about $24.70 per ton.

Senator VANDENBERG. What did the consumer pay?

Mr. MONTGOMERY. I do not remember exactly, Senator. I think it was up in the neighborhood of 20 cents a pound. That may be too high.

Senator VANDENBERG. I think so.

Mr. MONTGOMERY. There was a very sharp increase in the retail prices of all commodities.

The CHAIRMAN. What was the average price of sugar in 1936, I mean the retail price?

Mr. MONTGOMERY. About 5.60 cents per pound during 1936.

The CHAIRMAN. That was the average selling price by the retailer last year?

Mr. MONTGOMERY. That is the average price reported by the Bureau of Labor Statistics at retail.

Senator CAPPER. Throughout the country?

Mr. MONTGOMERY. Throughout the country, based on reports from 61 cities. We do not get the reports from all over the country.

Senator CAPPER. How does that compare with the price which other people in other countries pay?

Mr. MONTGOMERY. I do not have any prices with me as to what they are in other countries. I could very easily get it, but I do not have it here.

Senator VANDENBERG. Is it not a fact that the cost of sugar to the consumer today is less than the consumer pays in any country excepting England, where there is a direct bounty?

Mr. MONTGOMERY. I do not know the facts in that regard but I could very easily get them and furnish them to the committee.

Senator VANDENBERG. I would think that that would be of some interest to consumers' counsel. Go ahead.

Mr. MONTGOMERY. Are there any other questions?

Senator VANDENBERG. Are you prepared to discuss section 201, which is the price-control section?

Mr. MONTGOMERY. No; I am not, Senator. I think that should be discussed by other representatives of the Department, Senator.

Senator VANDENBERG. Is there somebody who understands it?

The CHAIRMAN. We are going to have Dr. Bernhardt on the stand.

Senator LA FOLLETTE. Have you considered this bill in any detail, and have you any statement to make concerning the provisions of it from the point of view of the consumers?

Mr. MONTGOMERY. No. If the measure was to contain protection to consumers looked at from the consumers' point of view I suppose it would provide that the quotas would be so established that the price in this country would not exceed the world price of sugar by more than the difference in cost of production as found by the Tariff Commission. That would be approaching the matter entirely from a consumer point of view.

Obviously, any legislation, though, must be a compromise between that point of view and that of the producers in this country.

The CHAIRMAN. Anything else?

Senator CLARK. You are with the A. A. A., are you not?

Mr. MONTGOMERY. Yes, sir, Senator.

Senator CLARK. You would not undertake to tell us how many former high officials of the A. A. A. have been up here today representing these various conflicting sugar interests in private capacities, would you?

Mr. MONTGOMERY. No; I would not, Senator.

Senator CLARK. I have heard it estimated as high as 15, and I wondered if that was correct.

Senator VANDENBERG. There are some who are not here.

Mr. MONTGOMERY. Many of those left before I came with the A. A. A., and many of them I have no memory of.

The CHAIRMAN. Thank you very much.

Mrs. Boyle wanted to make a statement, I understand. Is Mrs. Boyle in the room? [No response.]

All right, Dr. Bernhardt.

STATEMENT OF JOSHUA BERNHARDT, CHIEF OF THE SUGAR SECTION OF THE DEPARTMENT OF AGRICULTURE

The CHAIRMAN. Doctor, I understand that you did not voluntarily appear, but you are here to answer any questions?

Mr. BERNHARDT. Yes, Mr. Chairman.

The CHAIRMAN. The first question I would like to ask you is to explain what these gentlemen seem to be dubious about, namely, with reference to section 201.

Mr. BERNHARDT. Yes, sir.

The CHAIRMAN. Now will you give them the benefit of your advice?

Mr. BERNHARDT. The question which has been raised this morning has been raised repeatedly before the House Agriculture Committee and in the House hearings, and has been the subject of a great deal of effort on the part of the Committee on Agriculture of the House to readjust, but all of such efforts to my knowledge have resulted in replacing the original language because any other standard that was suggested either was too indefinite or had some other difficulty, and I understand that the House Agricultural Committee decided to retain this standard.

Its origin is in the message of the President. On March 1, 1937, the President presented his message to the Congress on sugar, and he pointed out, in recommending the reenactment of the sugar-quota system, and its necessary complements, that it was necessary to protect the interests of each group concerned. Then he proceeded to set forth those principles which he deemed important, of the principles which had been embodied in the Jones-Costigan Act.

He outlined as the first principle, the protection of consumers, and I quote from his message:

> As a safeguard for the protection of consumers I suggest that provision be made to prevent any possible restriction of the supply of sugar that would result in prices to consumers in excess of those reasonably necessary, together with conditional payments to producers, to maintain the domestic industry as a whole and to make the production of sugar beets and sugar cane as profitable as the production of the principal other agricultural crops.

Now the section of the bill, about which question has been raised here, merely implements the President's recommendation to safeguard the consumer and provides that after the Secretary shall have estimated the consumption requirements of consumers, much in the same fashion as he has been doing for the last 3 years under the original act, that he "shall make such additional allowances as he may deem necessary in the amount of sugar determined to be needed to meet the requirements of consumers, so that the supply of sugar made available under this act shall not result in average prices to consumers in excess of those necessary to make the production of sugar beets and sugarcane as profitable on the average, per dollar of total gross income, as the production of the five principal (measured on the basis of acreage) agricultural cash crops in the United States."

That section is preceded by the congressional statement of intent and purpose, which is: "in order that the regulation of commerce", under the act, "shall not result in excessive prices to consumers."

Senator VANDENBERG. What are the five principal cash crops?

Mr. BERNHARDT. They would have to be determined after investigation by the Secretary, after the act has been enacted. They might

be different one year than in another year. The section says, "measured on the basis of acreage."

Senator VANDENBERG. What are they right now?

Mr. BERNHARDT. I have not the acreage figures before me. I think that the crops which have been discussed are cotton, wheat, corn——

Senator VANDENBERG. Oats?

Mr. BERNHARDT. Possibly oats.

Senator VANDENBERG. As a matter of fact. the five principal cash crops are corn, wheat, hay, cotton, and oats, are they not?

Mr. BERNHARDT. If they are measured on the basis of acreage, according to your figures today, yes. I presume that statement, which you have, must be figured on that basis. I do not know.

Senator VANDENBERG. Have you got any cost data respecting these five crops at the present time?

Mr. BERNHARDT. No, sir.

Senator VANDENBERG. Do you think it is physically possible for your department not only to find the cost but to compare it with the net income to the farmer and actually accurately measure the profit to the farmer on each of these five crops, and then in connection with sugar, too?

Mr. BERNHARDT. Senator, after assisting in administering the Janes-Costigan Act in the last 3 years, I am coming to the conclusion that almost anything is possible on sugar.

Senator VANDENBERG. But this is not confined to sugar. You must find out the situation with respect to what is raised by the farmers of the United States first.

Mr. BERNHARDT. The flexible tariff provisions of the act, enacted in 1922, with which I had some experience some years ago, adopted the standard of costs with respect to tariff matters. At that time it was said that it would not be possible to determine costs of production in all these complicated industries, and, furthermore, if the data were to be obtained on costs, that the standard would not pass the courts.

Since that time not only has the United States Tariff Commission repeatedly made findings on the basis of the differences in costs of production with respect to tariffs, but also has had its findings and the definiteness of the cost standard upheld by the United States Supreme Court.

Now the difference between cost and price makes profit. The determination of price is not a mathematically difficult task. In fact, the agencies of the Government are always compiling and issuing statements on prices of commodities. And as the experience of the United States Tariff Commission has shown, it has been possible to determine agricultural costs. I recall that one of the major investigations of the United States Tariff Commission was an investigation in 1923 of the comparative costs of producing wheat on the basis of which, I believe, the tariff on wheat was raised 12 cents per bushel. That was based on findings of cost and the costs were published.

Senator VANDENBERG. The Bureau of Agricultural Economics has published some cost figures on corn, wheat, and oats. Are you familiar with those?

Mr. BERNHARDT. No, sir; I am not familiar with them.

Senator VANDENBERG. You would not be able to check the fact that I am advised that they show an average loss of 42.3 percent during the 10 years for the farmers?

Mr. BERNHARDT. I have not investigated those figures, Senator. The question of the issuance of statistical data, ordinary routine statistical data, by governmental agencies, is one thing, whereas the findings, the formal findings under the act of this kind, with public hearings, is an entirely different thing.

I may illustrate that by review of the experience of the last 3 years with the Jones-Costigan Act. When the Jones-Costigan Act was enacted, there were no official data available on consumption. There were figures which could be used for consumption, and the figures which were used were involved; in fact, in a lawsuit brought shortly after the act was enacted, in which the question of the reliability of the data was involved, and under the subsequent administration of this act, the Sugar Section of the Agricultural Adjustment Administration gradually built up the necessary official data, converted to raw value, the comparable unit required in the administration of the act.

I should say that this provision of the act in actual practice might work out about the same way.

Senator VANDENBERG. When you are going to find out the average profit per bushel of wheat, are you just going to sample the experience of the American farmers, or are you going to send questionnaires to all of them, or how are you going to do it?

Mr. BERNHARDT. Senator, I do not know that the obligation assumed by the Secretary of Agriculture under this section will fall upon the sugar section. Until the act is enacted and the Department has considered it, and the Secretary of Agriculture has determined upon the policy, I am afraid no one can say, until the public hearings have been held and findings have been made as to what agency of the Government will be charged with the responsibility under this section of obtaining the necessary data.

Senator VANDENBERG. And until this particular bureau is identified, there is no way that we can know how this language will be interpreted?

Mr. BERNHARDT. Senator, I should say that no paragraph in this act, or any act of Congress, if I may say so, is ordinarily interpreted prior to its enactment.

If you will run through this act——

Senator VANDENBERG. I will concede that we have written quite a few blank checks in the last few years, but I have never seen one quite as broad as this.

Mr. BERNHARDT. May I add this with respect to the further limitations in this section:

It must be borne in mind that this provision in itself establishes a minimum price for sugar. The quota system, as experience has shown in the last few years, establishes a premium over world price. There has been a premium over world price established under the quota system during the past 3 years. It has been approximately 2.8 cents per pound of sugar, raw value, in 1936. In 1935 I believe it was 2.23 cents.

Senator TOWNSEND. What are you classing as the premium?

Mr. BERNHARDT. That is the premium resulting from the quota system, from the quota limitation, the regulation of supplies.

Now the world price today may be taken roughly as 1.40 cents. If you add to that the premium of last year of 2.6 cents per pound,

you get to a duty-paid price of 4 cents. If you add to that a 1 cent nominal figure as the refining margin, you come to 5-cent sugar.

In other words, the quota system in itself, the mere adjustment of supplies under the quota system automatically establishes a premium in price which contains a protection to producers in the United States for this commodity, which is not true of most other commodities. I know of no other commodity, in fact, so protected. So that there is in effect a minimum price to producers in the bill. It must be borne in mind that the price paid producers from the market is supplemented by the conditional payments in title 3, in the conditional payment section of the act.

Since there is a minimum price in effect, in this bill, the President's message laid down the recommendation that there should be also a price protection to the consumer.

Senator VANDENBERG. You say there is a minimum protection, but that minimum protection is absolutely at the mercy of the Secretary of Agriculture's finding, if he concludes after his nebulous adventure, upon which he embarks, that there is too much profit being made in the raising of sugar beets. Is not that correct?

Mr. BERNHARDT. No, Senator, I cannot quite see your point, because the Secretary's action cannot affect the world price or tariff. That remains, let us say, 1.40 cents and the tariff 1.875 cents. The Secretary's action in establishing quotas under the preceding clause would be limited, if I may read:

"The Secretary shall determine——

Senator CLARK. Where are you reading now?

Mr. BERNHARDT. Section 201 [reading]:

"The Secretary shall determine for each calendar year the amount of sugar needed to meet the requirements of consumers in the continental United States";

and it goes on and directs the Secretary

"in making such determinations the Secretary shall use as a basis the quantity of direct-consumption",

which shall be distributed for consumption

"as indicated by official statistics of the Department of Agriculture, during the 12-months period ending October 31st next preceding the calendar year for which the determination is being made."

There are different objective requirements, statistical requirements, in fact, by which the Secretary is bound in making his initial supply determination, and that cannot be affected.

Senator VANDENBERG. In connection with his initial allotment. Then when he reaches his final authority in lines 12 to 17 on page 6, his final conclusive determining responsibility is to see to it that the domestic sugar producer does not make any more than the average farmers get on wheat, corn, oats, et cetera, in the United States.

Mr. BERNHARDT. Yes, sir.

Senator VANDENBERG. That is the determining factor.

Mr. BERNHARDT. That is the mandate of the act.

Senator VANDENBERG. And you are unable to tell us how he will go about it to find out what the average profits are on the basic crops, or how he will go about it to find what cane sugar or beet sugar prices are or what the profit is? You cannot know about that until the Secretary has designated somebody to interpret the act?

Mr. BERNHARDT. Except that, Senator, as I indicated, such studies have been made in the past, under governmental findings. For studies to be made of costs and profits in the Federal departments in Washington, I submit, is no new departure.

Senator VANDENBERG. Let me ask you this: Suppose, on the one hand, it is conceded that the Secretary can manipulate these quotas for the purpose of depressing the price to the consumer. Suppose the price to the consumer, for some reason or other, falls below a reasonable figure.

Mr. BERNHARDT. Yes, sir.

Senator VANDENBERG. Can he decrease foreign quotas for the purpose of raising the price, and increase domestic quotas?

Mr. BERNHARDT. So far as title II permits it, yes, Senator.

Senator VANDENBERG. You think this works both ways?

Senator CLARK. From a legal standpoint, it practically gives the Secretary of Agriculture plenary authority, does it not?

Senator VANDENBERG. Certainly.

Senator CLARK. I say, from a legal standpoint the act gives the Secretary of Agriculture plenary authority, does it not?

Mr. BERNHARDT. Yes, sir.

Senator CLARK. In other words, he can do as he pleases. The act suggests many things, but the Secretary of Agriculture is not legally bound by any expressions in the act, is he?

Mr. BERNHARDT. The standards are set forth in the act.

Senator CLARK. I understand, but suppose the Secretary of Agriculture disregards them, what is the recourse to either the consumers, the producers, or anybody else?

Mr. BERNHARDT. Senator, under the previous bill some of the interested parties did feel at one time that the Secretary of Agriculture in administering the act had gone beyond his powers.

Senator CLARK. And they attacked its constitutionality, did they not?

Mr. BERNHARDT. They attacked the act not alone on the ground of its constitutionality with respect to certain issues discussed this morning, but with respect to delegation of power, and they had recourse to the courts, and the court found in that connection that the Secretary's administration of the act had not been such as to render his actions unconstitutional with respect to the matter at issue.

Senator CLARK. In other words, he had not violated the delegations imposed on him under the act. What I am trying to find out is, what limitation is made under the act.

Mr. BERNHARDT. With respect to determining consumption?

Senator CLARK. Yes, sir.

Mr. BERNHARDT. The first limitation is that the Secretary of Agriculture shall take the amount of sugar distributed in the preceding 12 months, which is a definite figure.

Senator VANDENBERG. That relates to the initial quota, does it not?

Mr. BERNHARDT. Yes, sir, the initial consumption estimate.

Senator VANDENBERG. All right.

Mr. BERNHARDT. That the second requirement is that he shall make allowances for deficiencies or surpluses in inventories of sugar and changes in consumption, and so forth. The specific standards are set forth in that provision.

The final standard as it has been discussed——

Senator CLARK. The final standard is such as he may deem necessary, is it not?

Mr. BERNHARDT. Necessary under the standards set in the clause. Necessarily in respect to other standards——

Senator VANDENBERG. Yes, but Doctor, I call your attention to the language in lines 8 and 9 that after all these original standards to which you have referred have been compared at then prices, that he shall make additional allowances, which upsets everything which has preceded that by way of criteria. He shall make additional allowances as he may deem necessary. When he finally finds out, then he can take the statistics, and then he will interpret the facts and the rules for the whole business.

Mr. BERNHARDT. Whenever he finds, as a result of this extraordinary measure of protection established in this act for this one particular group of producers that they have returns to them that are in excess of the returns to other groups which are not so favored.

Senator VANDENBERG. And those findings will finally depend entirely upon the matter of the statistical information which he obtains, the extent of it?

Mr. BERNHARDT. Yes, sir.

Senator VANDENBERG. And the method of interpretation?

Mr. BERNHARDT. Yes sir; except that the interpretation, I think, is pretty well limited by the language of the act or of this clause.

Senator VANDENBERG. Let me ask you a question on interpretation. Would soil-conservation payment be included in the total return to figure the beet-sugar farmer's profit?

Mr. BERNHARDT. Senator, I do not believe that I can now answer a question as to the manner in which the Secretary will administer the act.

Senator VANDENBERG. I agree with you. I think it is an unfair question. And we are just proving to each other that there is nothing here except a blank check.

Let me ask you why it is not simpler to protect the consumer—and he ought to be protected—with a rule that relates to the retail price of sugar, which is something anybody can go and put his finger on?

Mr. BERNHARDT. The retail price of sugar has been suggested, Senator, a number of times during deliberations of the House Agricultural Committee, but was not accepted.

Senator VANDENBERG. Why not? What is your opinion?

Mr. BERNHARDT. I have not been asked to examine these various proposals which have been made by the interested parties with respect to the substitution of some other standard for the standard now in section 201. Most of those which I have seen—and I have not examined them exhaustively—tend to establish an additional cost to the consumer, considerably above what it has been in the last 3 years under the operation of the quota system.

Senator VANDENBERG. Would you not think—and I am asking you abstractly as an expert—would you not think that you could sit down and write a protective rule, based on the retail price of sugar, that would not only be infinitely simpler but indefinitely more satisfactory and more workable?

Mr. BERNHARDT. We have at times during the last 3 years, and during the last year particularly, tried to find a better standard

than the one suggested by the President. We think that the one suggested by the President—since you have asked my opinion— is the most satisfactory one which we can devise in the public interest.

Senator VANDENBERG. I am even more interested, if I may be allowed to say so, in your opinion rather than the President's on this particular subject. That is the best we can find out about how this thing works?

Mr. BERNHARDT. Except by review of the operation of the Jones-Costigan Act, in which similar delegations were established.

Senator VANDENBERG. Was there any such rule as this in the Jones-Costigan Act?

Mr. BERNHARDT. The Jones-Costigan Act provisions were much broader than this. The language in the Jones-Costigan Act with respect to the protection of the consumers was embodied in a phrase as broad as this:

Having due regard to the welfare of consumers—

Senator VANDENBERG. I think that is just a little more candid than this. That is all.

Mr. BERNHARDT. And there were also other clauses which were rather broad, Senator. The attorneys for the respective interests that are affected by the bill, or will be affected by the bill, if they have told me what they really think, they have expressed the opinion that this language is much more desirable legally than the language in the previous act.

As I say, this question was very thoroughly discussed in the House Committee, and several changes were suggested, but the outcome was that the committee did not modify the clause.

Senator VANDENBERG. You referred to the House discussion. Why was it that there was such complete and persistent refusal to make a record of the discussion of this particular section in the House by the representatives of the Department of Agriculture?

Mr. BERNHARDT. Senator, I do not know that that is the case.

Senator VANDENBERG. Is there a record available of this long discussion about which you are talking?

Mr. BERNHARDT. I did not mean to say, Senator, that there was a long discussion with members of the Department, such as you are having now with me. There was a discussion in the committee among the members with respect to this clause.

Senator VANDENBERG. Who explained this clause to the House in behalf of the Department of Agriculture?

Mr. BERNHARDT. I believe several members of the staff, Senator.

Senator VANDENBERG. Is the testimony available in printed form?

Mr. BERNHARDT. The testimony is available——

Senator VANDENBERG. On this subject?

Mr. BERNHARDT. No, sir; not in printed form.

Senator VANDENBERG. I would like to see it, if it is.

Mr. BERNHARDT. No, sir; I do not believe that that matter was discussed in the public hearings before the House Agricultural Committee, Senator.

Senator VANDENBERG. I think not.

Mr. BERNHARDT. Because there was no testimony——

Senator CLARK. Because what?

Mr. BERNHARDT. Because the experts of the Department did not testify in open hearing before the House Agricultural Committee.

They were requested, however, to explain to the committee in executive session—and I believe record was taken of those conferences.

Senator VANDENBERG. Is it not a fact that there was a refusal of the Department to appear publicly and explain this section?

Mr. BERNHARDT. No, sir.

Senator VANDENBERG. And that even when they appeared in executive session, there was objection to having the testimony even taken down?

Mr. BERNHARDT. Senator, I know of no such objection of the Department. The officials have been ready at any time to appear before the committees.

Senator VANDENBERG. You are not under indictment, so far as these questions are concerned. You practically say you are not going to have anything to do with it until somebody higher up announces what the pontifical result is. I am simply maintaining, Doctor, that it seems to me—I may be wrong, and I submit it very respectfully—that the Department itself is so at sea as to what this act means that it has not dared to undertake to define anything.

Mr. BERNHARDT. I may say, Senator, that that sounds very much like the language I heard in 1934 about the first draft of the Jones-Costigan Act and its complications.

The CHAIRMAN. Naturally, you being here from the sugar section, the Secretary of Agriculture contacts you more than anybody else with respect to this business, does he not?

Mr. BERNHARDT. No, sir; Senator, the Secretary of Agriculture would undoubtedly consult with his legal advisers and other economists besides the sugar section.

The CHAIRMAN. But as you are the head of it, surely he would certainly contact you.

Mr. BERNHARDT. Yes, sir.

Senator CLARK. You will agree, Doctor, that this committee is entitled to as much information from the Agricultural Department as the House committee would be.

Mr. BERNHARDT. Yes, sir; Senator.

Senator CLARK. Apparently there have been a lot of communications made to the House committee in executive session of which we are deprived of the benefit, and I would like to know what they are.

Mr. BERNHARDT. Senator, the substance of the data and the views presented to the House Agricultural Committee in executive session which are no doubt available to this committee are substantially similar to what we have been discussing these last few minutes.

Senator VANDENBERG. There is no one else in the Department, Doctor, who could testify on this particular subject any more authentically than you can?

Mr. BERNHARDT. I should not like to answer that question.

Senator VANDENBERG. I do not mean invidiously. I am simply asking you to suggest if there are any other witnesses whom we might call who would have any familiarity with the interpretations, which are anticipated.

Mr. BERNHARDT. The Secretary of Agriculture, who will be obliged to administer this act, and his advisers, would no doubt be glad to address this committee?

Senator VANDENBERG. Is he in the city?

Mr. BERNHARDT. Or to communicate their views to it. As I said in the beginning, however, until a bill is enacted, it is generally im-

possible for a department of the Government to state in advance the way in which it will be administered, where the Congress delegates to an administrative official such powers as are delegated under this act. He has to have public hearings and obtain information. He has to make field investigations and ascertain the way in which the act is to be administered.

Senator VANDENBERG. I have no quarrel with you, Doctor.

Mr. BERNHARDT. I understand, Senator.

Senator VANDENBERG. I am simply trying to explore this inscrutable enigma.

The CHAIRMAN. Any further questions?

Senator CLARK. Doctor——

Mr. BERNHARDT. If I may repeat—if you will pardon me, Senator.

Senator CLARK. All right.

Mr. BERNHARDT. That when you come to farm income, the net income from production is merely the difference between cost and price and ascertainment of cost has run the gamut of the courts and been upheld by the Supreme Court. Prices have been obtained again and again by administrative agencies. If each one of these factors can be obtained, and if the courts have upheld them as a basis for determinations, then the difference between those two figures should be usable.

Senator VANDENBERG. Doctor, do costs include a charge for the farmer's time on a per diem basis?

Mr. BERNHARDT. In agricultural costs, these items have been analyzed and economists have built up a body of objective guides. They are not as precise as the multiplication table, of course, but, as the Supreme Court stated in the Hampton case, referring to the cost of production standard, there is a basis which most reasonable men can agree upon.

Senator CLARK. Doctor, has the Department of Agriculture ever been requested for any opinion with regard to section 207 of the bill, as it passed the House?

Mr. BERNHARDT. With respect to section 207?

Senator CLARK. Yes, sir; with respect to the refined sugar from certain Insular possessions.

Senator BROWN. Before going into that, Senator, might I ask one or two questions regarding section 201?

Senator CLARK. Yes.

Senator BROWN. I want to say, first, Doctor, that I think your administration of it has been quite satisfactory to consumers and to the industry.

Mr. BERNHARDT. Thank you, sir.

Senator BROWN. I think it is a job which has been well done.

Senator VANDENBERG. I agree with that, too, Doctor.

Senator BROWN. I cannot see how you can administer section 201 unless you add a word. Let us get down to lines 10 and 11.

Senator CLARK. On page 6?

Senator BROWN. On page 6, * * * so that the supply of sugar made available under this act shall not result in average prices to consumers in excess of those necessary to make the production of sugar beets and sugarcane as profitable—now I think to be logical we have got to add the words "or unprofitable." That is, "as profitable or unprofitable on the average, per dollar of total gross

income, as the production of the five principal (measured on the basis of acreage) agricultural cash crops in the United States."

You will remember that you and I discussed that at a hearing in the Appropriations room at an earlier stage. If the five principal crops have, as Senator Vandenberg was informed, been unprofitable, is it going to be the duty of the Secretary to make the production of sugar beets in the United States unprofitable? It seems to me you cannot reach any other conclusion.

Mr. BERNHARDT. As I explained before, I think that there is a minimum limitation under the act under the operation of a quota system.

Senator BROWN. I do not see that minimum.

Mr. BERNHARDT. Which it seems to me meets the objections raised, but we would be very glad to consider it.

Senator BROWN. You have stated before that you thought this criticism worthy of consideration. What objection have you to stating as the ceiling a price which would cause the Secretary of Agriculture to increase the quotas? This is the method he has for keeping the price down. When he thinks the price is too high let him increase the importations; but it seems to me that the purpose of the Government in encouraging agriculture is not carried out by making it unprofitable, as I fear the Secretary would be required to do if the raising of the five principal crops in the United States is unprofitable. Therefore, it seems to me that the bottom or floor should be something like the average price of food throughout the country. These two would make better limitations than those fixed in this bill. I have an amendment to that effect which I propose to submit and have the committee consider when we get into executive session. That is all I have to say.

The CHAIRMAN. Senator Clark:

Senator CLARK. I want to repeat my question, as to whether the Department of Agriculture requested an opinion on this very controversial question about which we have been hearing so much today, namely, section 207?

Mr. BERNHARDT. The administration has expressed its views with respect to sections (a), (b), and (c) of section 207.

Senator CLARK. That is what I am referring to.

Mr. BERNHARDT. And the Department of Agriculture, being a department of the administration, is in accord with the administration view.

The Acting Secretary has written a letter to this committee just recently, in response to the chairman's request for a report on S. 2706, which was the Senate sugar bill before H. R. 7667 was introduced.

That is the last expression of opinion of the Department.

Senator CLARK. Will you briefly summarize what the attitude of the Department was?

Mr. BERNHARDT. In brief, the letter calls the committee's attention to the fact that the administration's views with respect to new sugar legislation have heretofore been submitted to both committees considering sugar legislation, and that there has been no change since the date of the submission of those recommendations in April, no change which requires a change in recommendations.

Senator CLARK. Can you just summarize what those views were, Doctor? This committee has never met to consider sugar legislation since the date you mentioned.

Mr. BERNHARDT. I will summarize it.

Senator CLARK. I would be glad to have the whole letter put in the record, and if you will give a summarization of the attitude of the Department, I think we would all benefit by it.

Mr. BERNHARDT. I think I can summarize it by saying this:

H. R. 7667 complies with the Department's views as to sugar legislation in all respects except two. One is section 207, to which you referred, in which respect the views in the Department have been well known; and, secondly, with respect to the tax.

Senator CLARK. What are the views of the Department with respect to section 207? That is what I am trying to find out.

Mr. BERNHARDT. The position of the Department of Agriculture is that the principal obstacle to the enactment of sugar legislation is this question of refined sugar quotas, and that it might be advisable to direct attention solely to the agricultural phase of the bill, leaving the question of protection of refiners to some other legislation or to legislation at the next session.

Senator LA FOLLETTE. Now, what are the facts on which that is based, Doctor? It seems to be awfully hard to get any information as to just exactly what the reasons are. I do not see why everybody should not be frank with this committee. What are the reasons, what are the facts, what are the data upon which that is based?

Mr. BERNHARDT. Dr. Gruening, who spoke this morning for the Division of Territories and Insular Possessions of the Department of the Interior, I think made clear the position of the administration with respect to those sections. It is the view of the administration that those provisions discriminate against American citizens in several of our domestic areas.

Senator CLARK. To put it bluntly, does the Department of Agriculture agree with the Department of the Interior? You heard Dr. Gruening this morning, and is your view the same as that of the Department of the Interior?

Mr. BERNHARDT. In our letter of July 8 to the chairman of this committee, the Department of Agriculture, I think, made it clear that the Department of Agriculture had submitted the recommendations of all the departments; and in the Secretary of Agriculture's letter of April 8 to Congressman Cummings, who was chairman of the special subcommittee of the Committee on Agriculture, in connection with sugar, he said:

> It will also be noted that the suggested changes would effectuate the recommended principle of fair treatment among all the domestic areas by avoiding any discrimination with respect to either the right to carry on manufacturing operations or the right to participate in deficits and increases in consumption.

Senator LA FOLLETTE. What are the facts, Doctor? You must know something about this situation. What are the facts? Is this a theoretical discrimination or an actual discrimination?

Mr. BERNHARDT. I believe, Senator, that the question of discrimination, and what it involves, is a matter which should be replied to by the Department of the Interior.

Senator LA FOLLETTE. Cannot you give us some facts? For instance, when they established the refined quotas in the Jones-Costigan Act, were they permitted all existing performance capacities, or

how were they arrived at, or was there another basis where they sat around the table, these various interests, as they have in connection with this bill, for weeks and weeks and weeks, and finally agreed on how to cut up the pie, and finally cut off a few slices here and there and flopped them around until they got enough votes to pass the bill? How did they arrive at this?

Mr. BERNHARDT. Senator, in 1934 the position was very much the same as at the present time, as you have just described it, and naturally each of the interested parties sought to work out legislation that would benefit that particular group, and the controversy with respect to sugar legislation in 1934 was quite acute, except that in that year it involved other questions primarily.

The refined sugar question came up at that time also, and the administration bills submitted in 1934, pursuant to the President's message on sugar of February 6, 1934, contained no limitation on direct consumption of sugar coming in from any area.

Subsequently, there was the controversy which we have seen in the last one-half year, and as a result of that controversy there was finally inserted in the bill these provisions limiting the importations of direct consumption sugar. In the case of Cuba it was fixed at 22 percent of the total quota, and in the case of Puerto Rico, Hawaii, and the Philippines, it was provided that the amount of sugar which might come in direct consumption form from any of those areas should be equal to or no more than the highest amount which had come in up to that time. That was the basis of the 1934 decision.

Senator LAFOLLETTE. If I remember correctly, there was somebody here representing one of the Puerto Rican groups this morning who said that their capacity had been cut down in this quota over what it actually was on refined sugar. Is that true?

Mr. BERNHARDT. It is true that the capacity for producing refined sugar, Senator, at the present time in Puerto Rico is greater than the amount of the quota.

Senator CLARK. But not the amount which they ever actually produced?

Mr. BERNHARDT. They have never marketed more than the amount which is now in the quota?

Senator BROWN. How about Hawaii?

Mr. BERNHARDT. The basis was the highest year's importations prior to 1934.

Senator LAFOLLETTE. There has been some discussion——

Mr. BERNHARDT. If I may go on a moment, Senator. We have had hearings this very year, as we have had for a number of years under the act with respect to allotment of the Puerto Rican direct consumption sugar quota.

On the basis of the existing act, allotment of any quota has to be made on the basis of earlier years' performance.

Now, it happens that in Puerto Rico the direct consumption sugar (the refined sugar) is largely the output of one company which went into the field first, and under the act this company insists that the allotments should come to them on the basis of history, which is usually the basis for all allotments.

Senator CLARK. Where is that company owned, the company to which you have just referred?

Mr. BERNHARDT. I cannot say offhand, but I think it is a Puerto Rican company.

Senator CLARK. That was what I was trying to find out.

Mr. BERNHARDT. There are other companies who appeared at these hearings and insisted on a slice of this cake of 126,000 tons. They raised the question of monopoly. They say:

> Why should we newcomers who also wish to produce some refined sugar be excluded from a share in this refined sugar allotment?

If the Secretary of Agriculture should follow the policy of giving these newcomers a slice of this quota, then the single large company which on the basis of history is entitled to most of it is injured and threatens to go to the courts and attack the allotment of the Secretary.

If, on the other hand, the Secretary of Agriculture should not divide up the quota to include these newcomers and give each a share, then there is the economic disadvantage, Senator, that you are freezing the situation; you are giving the company which happened to have a record of production prior to the act of 3 years ago a continuous right to refine, to the exclusion of others.

That is the administrative difficulty, factually, in the present direct consumption of sugar quota for Puerto Rico.

Senator LA FOLLETTE. From the facts which were brought out this morning, they would seem to indicate that one of the justifications given for fixing this refined quota is that the same thing has happened to the domestic producers, namely, that they had their capacity cut down. Now, is that true in every case, or were some of these refineries shut down long before the Jones-Costigan Act ever came along? I am referring to the domestic ones.

Mr. BERNHARDT. The domestic refiners, Senator, of cane sugar must be distinguished from the beet sugar processers who, at one time in this morning's discussion were referred to as refiners. A beet factory, as you know, processes sugar, refined sugar, all ready for consumption, directly from the beets. The sugar refineries on the seaboard process raw sugar into refined sugar.

Senator LA FOLLETTE. I understand.

Mr. BERNHARDT. The capacity of the seaboard refineries, cane seaboard refineries has, for a long time, been greatly in excess of their output, but under the Jones-Costigan Act, their output was increased as compared to what it was just prior to the Jones-Costigan Act. If you take the 2 years prior to the Jones-Costigan Act, they have had a considerable increase in volume. If you take a further period back, when they were operating on a different scale, there has been a decrease in their volume of operations.

But if you take the 2 years immediately preceding, 1932 and 1933, the years immediately preceding the Jones-Costigan Act, and the year 1934, which was the first half year of operations under the Jones-Costigan Act (the act having gone into effect in June, you will remember), there has been an improvement in their volume.

If you take the beet sugar factories in the last few years, it has not been necessary, Senator, to make allotment of quotas to the beet sugar processors because the beet sugar industry did not produce its full quota. The question, therefore, of curtailment of operations did not arise in the administration of the Act in the last few years.

Senator LA FOLLETTE. One of the things which Senator Brown mentioned was this Toledo beet plant. Did the Jones-Costigan Act have anything to do with the closing of that factory?

Mr. BERNHARDT. The Michigan sugar beet industry was going through a drastic reorganization prior to the enactment of the Jones-Costigan Act, and, as I recall it, there were quite a number of mills closed down. The Jones-Costigan Act, as I recall it, rather improved the condition in Michigan, both with respect to the processor and with respect to the beet sugar growers during that period.

Senator BROWN. Dr. Bernhardt, there is a little historical background to this.

Mr. BERNHARDT. I should be glad to furnish details to the committee.

Senator BROWN. Is it not a fact that the Philippine and Hawaiian production, because there was no tariff against them, and Puerto Rico as well, was making rapid inroads upon the beet-sugar business of the United States, and it particularly affected the eastern beet area, including the State of Wisconsin, and you, Senator La Follette, had a plant at North Milwaukee, I think it was, or was it Milwaukee County, at any rate, which went down entirely because of the competition of Philippine and Hawaiian sugar.

Along about 1930 these plants, or a large number of them, went into receivership, and by 1932, previous to the enactment of the Jones-Costigan Act, of course, the sugar business began to revive, largely because of the fact that through foreclosure sales, and so forth, the investment in plants went down to a very small figure, and that caused a revival of the business which occurred before the Jones-Costigan Act went into effect.

That is substantially so, is it not?

Owasso, which is one of the largest plants in Michigan, did operate in 1932, and did not operate in 1933. Toledo, which happens to be one plant of the Michigan Sugar Co., which is the only large concern owning several factories in the Midwest area, was not operating in 1933, and was not operating in 1932, but had been previous to that time.

Senator LA FOLLETTE. My only point was that the Jones-Costigan Act was not the cause of those plants being shut down.

Senator BROWN. I think, to be entirely accurate, it should be put this way—and I think the Doctor will agree with me:

That if the Jones-Costigan Act had not been in operation, that the Toledo plant would have reopened in due time, along with the rest of the Michigan factories. That it is a fact that the Toledo plant was not operating in 1932. They asked for a quota in 1933–34.

Senator LA FOLLETTE. How about the Hawaiian quota?

Mr. BERNHARDT. The Hawaiian quota on refined.

Senator LA FOLLETTE. The Hawaiian quota on refined.

Mr. BERNHARDT. The Hawaiian quota on refined, as I said before, was based under the Jones-Costigan Act on the largest year's shipments to the United States, which happened to be 1933. That was subsequently carried through as a regulation of the Secretary. Each year he proclaimed it as the quota. It is 29,000 tons in round numbers at the present time.

There is, of course, no limitation involved in continuing that restriction on Hawaii with respect to any historical base. The question at issue is not the amount of limitation or degree of limitation, Senator. The question at issue is simply one of principle, whether or not, as the Department of the Interior stated this morning, any

domestic area of the United States (Puerto Rico, Hawaii, and the Virgin Islands) shall be restricted with respect to their manufacturing operations, while other domestic areas are not so restricted.

Since it is a matter of principle, Senator, the questions of fact as to how much capacity or how little capacity there is, or how much curtailment there is or has been does not appear to be relevant.

The question that is before this committee, as it has been before the House, is simply whether the Congress believes that the domestic areas (Puerto Rico, Hawaii, and the Virgin Islands), shall be restricted with respect to their manufacturing operations, when no corresponding restriction is placed upon the main domestic areas.

The CHAIRMAN. Could not that matter be worked out by putting a quota on refined sugar in the United States and putting a quota which would not affect anybody on Puerto Rico and a quota on Hawaii and get out of this principle which you talk about? Could not that be worked out?

Mr. BERNHARDT. Senator, I do not know whether that could be worked out or not.

The CHAIRMAN. We know how much sugar is refined in the United States for the last 10 years or more, do we not?

Mr. BERNHARDT. Yes, sir.

The CHAIRMAN. We know that?

Mr. BERNHARDT. Yes, indeed.

The CHAIRMAN. We know how much sugar has been refined in Puerto Rico, do we not?

Mr. BERNHARDT. Yes, sir.

The CHAIRMAN. We know how much sugar has been refined in Hawaii?

Mr. BERNHARDT. Yes. sir.

The CHAIRMAN. Why could not we work it out?

Senator CLARK. That would simply amount to freezing the refining in various areas under the flag of the United States as they are at the present time.

The CHAIRMAN. That is true.

Senator BROWN. We have frozen the farmer in just that way.

Senator CLARK. The point to the whole argument, as I understand it, was that this suggested scheme amounts to refusing to Puerto Rico, Hawaii, and the Virgin Islands alone as the possessions of the United States the right to refine all the sugar they want to, or all the sugar which they produce.

The CHAIRMAN. But the intention is to freeze the present refining at the present amount, and at the same time the domestic refinery would be frozen, and I do not see where anybody has any kick coming.

Mr. BERNHARDT. Senator, if you will permit me, I would prefer not to answer that question, because that is a question which is entirely within the scope of the Department of the Interior.

The CHAIRMAN. Is what?

Mr. BERNHARDT. I say, that is a question which is primarily within the scope of the Department of the Interior, which is responsible for the administration of those territories, and I would rather not answer that question.

The CHAIRMAN. I think that this committee has got something to say on that proposition too.

Mr. BERNHARDT. That is what I mean. I think it is for the committee and Congress to decide.

The CHAIRMAN. Is there something else?

Senator OVERTON. While I am not a member of the committee, I would like to ask a question.

The CHAIRMAN. You have perfect liberty to ask a question, Senator.

Senator OVERTON. I understood yesterday that some representative of the Department of Agriculture would be in position to state how allotments would be made in the sugarcane area to the different farms, whether it would be upon a basis of acreage or weight, or recoverable sugar content. Are you in a position to make that statement?

Mr. BERNHARDT. I would like to say, Senator, in answer to that question, that whatever the committee, as the Senator has just said, determines to do and writes into the Act, and Congress approves and is enacted into law—that will be administered by the department.

If the final language reads as it now reads, it is optional.

Senator OVERTON. It is entirely optional now with the Secretary of Agriculture?

Mr. BERNHARDT. Yes, sir.

Senator OVERTON. Whether he would give the cane area or the beet-sugar area acreage allotments or weight allotments or recoverable sugar-content allotments. Now, are you in a position to state which of the methods of allotments the Department of Agriculture will pursue in reference to the cane area?

Mr. BERNHARDT. No, sir; I am not in position to state how the act will be administered in any sense at this time.

Senator OVERTON. What have you to say with reference to your experience in making allotments in the cane area, not by acreage, but by recoverable sugar content? Has it worked satisfactorily or has it not worked satisfactorily?

Mr. BERNHARDT. I think that the difficulties to which you refer have probably been eliminated by this draft.

Senator OVERTON. In what way has it been eliminated?

Mr. BERNHARDT. You will recall that the difficulty in the past was that under a production adjustment contract the grower agreed to produce not more than a certain quantity of sugarcane as a condition for payment, and that if he exceeded that production the Secretary of Agriculture was to direct the disposition of that surplus. Then, as a result of increased yields, the Secretary of Agriculture had to determine what was to be done with the surplus sugar production over and above the contract allotments.

The Secretary made it possible for the growers not to be penalized as a result of this overproduction under the contract by scales of deductions which took care of the grower who had overproduced through increased yields.

Now, in this bill the amount of the allotment is given on the basis of the estimated quantity of the sugar which the area would require to produce its allotment, with allowance for inventories, and so forth, so that the grower would know in advance about his allotments.

Senator OVERTON. If you give to the grower an allotment based on production, then the grower takes all the chances, and it may be that in a normal year he would produce a certain quantity. There may be a very favorable season, and he would exceed that quantity. What would become of the grower, so far as benefit payments are

concerned under the bill, if he should exceed the production that was allotted to him? He would forfeit the benefit payments, would he not?

Mr. BERNHARDT. If he violated the terms——

Senator OVERTON. Of course if he violated them. Let me put it this way: If you say to a cane grower, "You can plant so many acres," that is something definite which he can readily understand, and if he violates it, he does it willfully; but if you say to him that, "You can produce so many tons of sugar and no more," and he plans on an acreage which usually, normally, would produce just that many tons, and there comes along a very favorable season and he produces more than that, then he suffers the penalty, just like the cane growers in Louisiana did in 1935. They suffered a penalty of ovr $1,500,000, not by reason of their violation of the contract but by reason of the fact that they had a favorable season, and new varieties of cane, and the production was much larger than that which was anticipated, either by the Department of Agriculture or by the grower. Is not that true? Now, would you not obviate all that difficulty by making an allotment by acreage?

Mr. BERNHARDT. I should not like to say, Senator, that that would obviate all the difficulties.

Senator OVERTON. Exactly. So far as the beet area is concerned, you made allotments by acreage under the Jones-Costigan Act, did you not?

Mr. BERNHARDT. As I recall it, we made allotments by factory districts also.

Senator OVERTON. The producer got acreage allotments, did he not?

Mr. BERNHARDT. Yes, sir.

Senator OVERTON. Why should not the acreage allotments be given to the cane grower?

Mr. BERNHARDT. I believe he also got tonnage allotments, Senator, but I should like to check it up.

Senator OVERTON. But, as a matter of fact, the Louisiana area was the only producing area which suffered the penalties under the Jones-Costigan Act?

Mr. BERNHARDT. Senator, may I say, rather than calling them penalties, I think it would be fairer to describe them as deductions to prevent entire loss of benefit payments, because the growers——

Senator OVERTON. Whether you call it deductions or penalties, they got $1,500,000 less than they would have received, had it not been for the deductions.

Mr. BERNHARDT. Less than they would have received if they had not had deductions, but nevertheless, they would have received much less than that, if they had not had the contracts.

In other words, under the former program, the grower counted on, let us say, a parity price of $4.50 per ton for "X" tons of cane at the beginning of the season; that included the amount that was to be paid to him by the processor and the amount which was to be paid in benefit payments. When he had a very fine crop, instead of getting $4.50 on 100 tons, it turned out that he got $3.50 on 200 tons from his factory, and was permitted to market this quantity, and then received benefit payments on his allotment, subject to certain deductions.

In other words, the net outcome of this contract was that he was benefited and not penalized, and in common with other commodities,

for which similar arrangements were made, rather than that the grower should lose his entire benefit payment under the contract provisions these administrative rules were issued to relieve the grower of certain difficulties.

Senator OVERTON. Doctor, of course, there are quite a number of angles to this problem, but I want to ask you this question, because all that is water under the mill——

Mr. BERNHARDT. Yes, sir.

Senator OVERTON. I want to ask you this question now: Is there any objection to amending this bill so as to provide for acreage allotments to cane growers?

Mr. BERNHARDT. What section are you referring to, please, Senator?

Senator OVERTON. Page 19, section 301, paragraph (c).

Mr. BERNHARDT. I see it.

Senator OVERTON. In terms of planted acreage, and insert there an amendment "planted acreage applicable to the cane area and also the beet area" if you desire.

Mr. BERNHARDT. The language as now in the bill is intended to cover the various contingencies arising out of the fact that this bill must be applied to such different places as Louisiana and Florida on the one hand, the beet industry, Puerto Rico, and Hawaii on the other hand.

Senator OVERTON. Would there be any difference between Louisiana and Florida?

Mr. BERNHARDT. On any restriction of a particular method to a particular area, I would not be authorized to comment on.

Senator OVERTON. You do not at the present time see any objection to providing for an acreage allotment?

Mr. BERNHARDT. Yes, sir; I do see objection. In the first place, undoubtedly the other areas would maintain that there was a discrimination here with respect to one area, that one administrative procedure was being laid down or made to apply for one area and not the other area.

Senator OVERTON. It is my information—and I will ask you if I am in error or not—that the cane area desires allotments by acreage, and that Hawaii and Puerto Rico desire allotments according to sugar content. Is that correct?

Mr. BERNHARDT. I do not know as to all the areas, Senator. I cannot say as to all the areas. I do know that these provisions were gone over by the representatives of the beet areas a number of times. I do not now recall whether they raised that point or not.

Senator TOWNSEND. Dr. Bernhardt, you testified that under the contract system it had cost the consumer $350,000,000 to $410,00,000. Have you a break-down showing who benefited most from that?

Mr. BERNHARDT. Senator, I do not believe I testified to that. Was it not the previous witness?

Senator TOWNSEND. It has been testified to here that that is the case.

Mr. BERNHARDT. The position is simply this:

In 1936 the world price of sugar was 1 cent per pound. That was the price at which sugar on the so-called free market was sold. Now, the quota price in the United States was 3.6 cents, of which 0.9 cent was the Cuban duty and the balance of the differential between the 1 cent world price and the 3.6 was in the nature of a differential

due to the quota system. Then you have approximately 1 cent for refining margin.

Senator TOWNSEND. Could you or someone in your department furnish for the committee, what had been received by Cuba, Philippines and Hawaii, and Continental United States? Will you do that?

Mr. BERNHARDT. Yes, sir.

(The following memorandum is submitted in response to Senator Townsend's question with respect to the division to producers in the various areas of sugar production affected by the sugar legislation of the price premium due to the quota system in the United States in the price of sugar.)

DISTRIBUTION TO PRODUCERS IN DIFFERENT AREAS OF PRODUCTION OF THE UNITED STATES DIFFERENTIAL ABOVE THE WORLD PRICE OF SUGAR DUE TO THE QUOTA SYSTEM

The calendar year 1935 was the first full year of operation under the Jones-Costigan Act and its related legislation.[1]

During that year the processing tax was in effect for a full 12-month period, as well as the reduced rate of duty on Cuban sugar under the Trade Agreement with Cuba (0.9 cent per pound) and the reduced statutory rate of 1.875 cents per pound on full duty-sugars. Sugar marketing quotas became fully effective in 1935 and production adjustment programs were under way in all the sugar-producing areas, subject to the act, including the Philippine Islands. In the case of sugar beets, contracts with farmers included special provision for wages of agricultural labor and regulation of child labor.

During the year 1936, however, only the sugar-quota provisions of the act and the reduced duties were in effect. No processing taxes were collected and no production adjustment programs were undertaken, but farmers received payments during 1936 in liquidation of obligations under production adjustment contracts under the provisions of the Supplemental Appropriation Act, not only in the continental beet and cane areas, but in Puerto Rico and the Philippine Islands.

The following table shows the total paid by the consumers in the United States for their sugar requirements, both in 1935 and 1936 (including processing tax) and the distribution of returns to the various factors in the industry:

	1935	1936
	Thousands of dollars	*Thousands of dollars*
Value of raw sugar at world price	126,804	136,254
Duties paid to U. S. Treasury	33,758	88,938
Processing costs, raw basis	102,303	108,993
Processing taxes paid	63,592	None
Wholesale-retail margin including transportation from refiners to consumers, refined basis	89,846	116,261
Total price to consumers at world basis, including duties and taxes paid	426,298	400,446
Consumers' payments under quota system, refined basis	676,459	713,995
Difference distributed to producing areas	250,161	313,549
Of which:		
To Hawaii	41,336	53,438
To Puerto Rico	35,188	47,055
To Philippines and Virgin Islands	44,067	51,974
To United States beet	69,193	69,444
To United States cane	11,606	20,282
To Cuba	48,590	70,942
To full-duty sugars	181	414
To sugar producers in the form of Government payments:[1]		
To Hawaii	11,244	2,170
To Puerto Rico	1,570	13,120
To United States beet	25,020	6,730
To United States cane	9,683	2,572
To Philippines and Virgin Islands	12,315	2,990

[1] During 1935, the payments to producers were made under the Agricultural Adjustment Act, as amended. In 1936, the payments were made principally under the Supplemental Appropriation Act of 1936.

[1] Philippine Sugar Limitation Act and Reciprocal Trade Agreement with Cuba under the Trade Agreement Act.

DIFFERENTIAL ABOVE WORLD MARGIN OF AMERICAN CANE REFINERS

It is difficult to ascertain accurately the amount by which the cane refiners' margin in the United States exceeds the margin which would be obtained by them without quota legislation. However, it is of significance that the refiners' margin on refined sugar sold for export from the United States has been considerably under the refiners' margin in the United States. The following table shows the refiners' margin for each of the years 1934, 1935, and 1936 on sugar exported to foreign countries and on sugars sold in the United States.

Year	Exports of refined sugar	Refiners' margin [1]	
		Export	United States
1934	136,481	0.34	0.89
1935	113,957	.32	.86
1936	61,716	.55	.83
Average 1934-36		.41	.86

[1] In the refining process approximately 7 percent of the raw sugar melted is lost. This item of refining expense, both for raw sugars purchased at United States quota prices (with duty paid) and sugars purchased at the lower world price used for export is deducted in the above table. Data in the tables are obtained from Willett & Gray "Weekly Statistical Sugar Trade Journal", and in both cases prices are quoted prices which are stated to be above actual prices.

On the quantity of sugar delivered by refiners for domestic consumption in each of the years 1934, 1935, and 1936, the refiners have received an aggregate differential over and above the margin they would have obtained in the world market, as follows:

Year	Deliveries by refiners for domestic consumption	Excess of United States margin over export margin	Subsidy to refiners
	(*Short tons refined*)	(*Dollars per ton*)	
1934	3,879,799	11.00	$42,677,789
1935	4,202,632	10.90	45,388,426
1936	4,210,875	5.40	22,738,725
Average 1934-36	4,097,769	9.07	36,934,980

Senator LONERGAN. Doctor, do you know of any plan which could be adopted which would result in a lower price to the consumer?

Mr. BERNHARDT. Senator, there are many plans which could result in a lower price for sugar, and also a higher price.

Senator LONERGAN. This is your best judgment?

Mr. BERNHARDT. Senator, the world price at the present time is 1.4 cents per pound. Presumably, if we have no tariffs, and if we had no quota protection, the price of sugar in the United States, at least for a period of time, would be lower than it is now. In fact, it was so before the Jones-Costigan Act.

The average retail price of sugar in the year 1932, which was the lowest year, was 5.1 cents per pound. Then in 1933 we went off the gold standard, and although there was no Jones-Costigan Act, or any control legislation, there was a stimulating effect upon the price of sugar as a result of that situation, and also the expectation of legislation during 1933 and negotiations with respect to the stabilization agreement. The price that year went up to 5.4 cents retail, and then the Jones-Costigan Act was enacted in 1934, and the price

went up to 5.6 cents, and in 1935 it was 5.7 cents under the operations of the act, and 5.6 cents last year.

So that there was a lower price in that year (1932) and, of course, those who have spoken for the industry have here indicated that the reason that they want this legislation is to stabilize and maintain the price level of sugar.

Senator CLARK. Doctor, when the Jones-Costigan Act was first passed, as the Senators who were members of this committee then will recall, the greatest argument made in behalf of the extremely favorable treatment of Cuba contained in that act was the statement by the Secretary of State, made before this committee, that if we did not take some such step as this for the relief of Cuba, that there would be a revolution in Cuba, and that the obligations of the United States under the Platte Amendment were such that we would get in a lot of trouble down there, with European countries, and various other ways. Now, since the passage of the Jones-Costigan Act there have been four or five revolutions in Cuba, and Cuba has been in the hands of a military dictator ever since, and in the meantime the Platte Amendment has been repealed. Now, is there any argument as to the Cuban allotment that has taken place and the one which the Secretary of State made at that time, which seems pretty nearly to have worn out its appeal?

Mr. BERNHARDT. Are you asking me that question, Senator?

Senator CLARK. Yes, sir; I am asking you that question.

Mr. BERNHARDT. I think that is rather outside the scope of my duties.

The CHAIRMAN. Any other questions?

(No response.)

The CHAIRMAN. All right, Doctor, we thank you.

Mr. BERNHARDT. May I state, Senator, in response to the Senator's question about the matter of the price, that it might be well to insert in the record Secretary Wallace's analysis, including his recommendations with respect to the sugar program of March 15, in which he explained the conditions prior to the Jones-Costigan Act and the subsequent developments.

The CHAIRMAN. It is so ordered.

(The information referred to is as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
AGRICULTURAL ADJUSTMENT ADMINISTRATION,
Washington, D. C.

Release in morning newspapers, Monday, March 15, 1937.

SECRETARY WALLACE ISSUES STATEMENT ON SUGAR

In response to requests received by the Department of Agriculture for information with respect to the sugar quota system and the proposed excise tax on sugar, the Secretary of Agriculture today issued the following statement:

"In a message to Congress on March 1, 1937, the President recommended that in connection with any future sugar quota system various provisions should be made to protect adequately the conflicting interests of the various groups concerned. In order to understand fully the significance of the President's recommendations it is desirable to review briefly the conditions that have existed in the industry during recent years and the effects of a tax on sugar under a quota system.

"CONDITIONS PRIOR TO THE SUGAR PROGRAM OF QUOTAS, PAYMENTS, AND TAX

"Prior to the enactment by Congress, in 1934, of the former sugar program, which included quotas, benefit payments, and a tax, the income of domestic

sugar-beet and sugarcane producers had declined steadily for 3 years. The average return to sugar-beet growers, for example, had declined from $7.14 per ton of beets harvested in 1930 to $5.94 in 1931, $5.26 in 1932, and $5.13 in 1933. The wages paid the field laborers had dropped to a low level and some districts were complaining about permitting young children to perform the strenuous work in the fields.

"The returns of sugar beet processors had also declined after 1929 to the point at which a majority of them were incurring financial losses. The revenue obtained by the Federal Government from import taxes on sugar had declined from an average of $125,000,000 for the 5-year period 1925–29 to $63,000,000 in 1933.

"Imports of Cuban sugar by the United States had declined approximately 1,500,000 tons during the period 1928 to 1932 under the tariff system; and the total exports of American agriculture and industrial products to Cuba had decreased from an average of more than $150,000,000 during the 5-year period 1925–29 to $25,000,000 in 1933. The decrease in the purchases of our agricultural commodities by Cuba from 1928 to 1932 was equal to the normal production of more than 800,000 American acres. Prices obtained for Cuban sugar in the American market had fallen below the cost of production and Cuba was suffering a severe economic crisis.

"The low income of the American sugar producing industry and the reduction in the revenue to the Treasury of the United States, during the years 1931, 1932, and 1933, had taken place following the increase in the rate of duty on Cuban sugars from $1.76 to $2.00 in 1930. The price paid for sugar by consumers declined from a national average of 6. 2 cents in 1930 to 5.7 cents in 1931 and 5.1 cents in 1932, but advanced to 5.4 cents in 1933.

"In an attempt to alleviate the widespread depressed conditions Congress enacted in 1934 the Jones-Costigan Act, and the United States entered into a Reciprocal Trade Agreement with Cuba. It was believed that under the program domestic sugar beet and sugarcane producers would receive a reasonable return, that child labor could be reduced or prevented and adult laborers given a higher standard of living. It was also anticipated that an important contribution could be made to the economic rehabilitation of Cuba, that an expanded foreign market would be opened to the producers of American exports, and that the program would not result in either a substantial increase in cost to consumers or reduction over a period of years in the net revenue of the Federal Government.

"CONDITIONS UNDER THE SUGAR PROGRAM OF QUOTAS, PAYMENTS, AND TAX

"The results of the sugar program were most encouraging. The returns to domestic sugar beet and sugarcane producers were increased considerably. Sugar beet growers, for example, who had received $5.26 per ton in 1932 and $5.13 in 1933, obtained an average return, including benefit payments, of $6.91 in 1934 and $6.90 for the 1935 crop. The hiring of young children for work in the fields was nearly eliminated and the income of adult laborers was increased substantially.

"The net returns of sugar beet and sugarcane processors were also increased markedly. The reports published by a group of sugar beet processors representing approximately 75 percent of the industry's total volume show that their income, stated as a percent of net worth, was as follows for the fiscal years ended February 28 and March 31: 1931, —5.49; 1932, —4.32; 1933, 1.89; 1934, 10.02; 1935, 8.51; 1936, 9.86.

"The net revenue to the Federal Government from sugar increased slightly from $63,000,000 in 1933 to $69,000,000 in 1934. It declined, however, to $23,000,000 in 1935. The average unit prices paid by consumers of sugar in the United States did not advance greatly. The national average retail price during 1933 was 5.4 cents, 5.6 cents in 1934, and 5.7 cents in 1935. The aggregate cost to consumers, however, increased substantially because each variation in price of one-tenth of a cent is equal to a change in total cost to consumers of more than $13,000,000 per annum.

"The income of Cuba from the sale of sugar in the United States during the calendar year 1935 was approximately $45,000,000 greater than in 1933, an increase of 125 percent. This increased income and the distribution of a large portion of it among growers and laborers in Cuba, combined with the reduction in the Cuban duties on American products under the Reciprocal Trade Agreement, resulted in an expanded market for American exports of agricultural

and industrial products. The exports of the United States to Cuba during the year 1935 were $35,000,000 in excess of the 1933 exports, an increase of 140 percent; and of course the producers of American exports also received the benefit of an expanded market in other countries, through the trilateral movement of foreign trade, for the total increase in imports under a reciprocal trade agreement is reflected in a like increase in our total exports.

"PRESENT CONDITIONS UNDER QUOTAS WITHOUT PAYMENTS OR TAX

"The decision of the United States Supreme Court in the Hoosac Mills case on January 6, 1936, invalidating the processing tax and production adjustment payments and left in effect only the quotas. The invalidation of the tax presumably did not affect the cost of sugar to consumers, who paid an average price of 5.7 cents for sugar in 1935 and 5.6 during 1936. The decision resulted, however, in a wide redistribution of income under the quota system; there was a loss to growers, laborers, and taxpayers; and a corresponding gain to domestic sugar processors and foreign sugar producers.

"The loss to sugar and beet growers that resulted automatically, under the established grower-processor contracts, from invalidation of the former processing tax and production adjustment payments, was equal to approximately 50 percent of the former tax. (The decline in the income of growers was offset to some extent by payments under the 1936 Agriculture Conservation Program.) It is estimated that at the same time the profits of beet processors were increased between 40 and 60 percent over their net income from operations during the calendar year 1935 when the processing tax was in effect. Sugar-beet growers whose returns had been decreased, although the total income of the sugar-beet industry virtually had not been affected, undertook to obtain an appropriate adjustment in their contracts with processors to compensate for the reduction in their income, but their efforts were of only limited success.

"The invalidation of the former production adjustment payments to producers also destroyed the only practicable means that had been found to assure labor an equitable share in the income from sugar beet and sugarcane production. Consequently, both growers and laborers are now denied assurances of an equitable and reasonable share in the income of the domestic industry under a program of which they, as well as the processors, were intended to be the beneficiaries.

"The loss of the revenue to the Federal Government that would have been obtained from the former tax on foreign sugars now finds its way to foreign countries in an unanticipated increase in the price paid for imported sugars. The deficit that this represents in the income of the Treasury of the United States must be borne as an additional burden by American taxpayers.

"The sugar program enacted by Congress produced several beneficial results and represented a serious effort to balance fairly the conflicting interests of the various groups concerned. It has been cut down, however, through the invalidation of the processing tax and production adjustment payments, to an incomplete law which does not operate equitably. The total cost to American consumers of sugar purchased under the quota system during the calendar year 1936 has been estimated (without allowance for the revenue of approximately $40,000,000 the United States Treasury received from import duties on sugar, or for the possible increase in the world price that might have resulted from changed conditions) at approximately $350,000,000 in excess of the depressed prices that prevailed in the world market. In the absence of an adequate means for bringing about and preserving an equitable distribution of the increased income made available under the present quota system there does not appear to be justification for expecting consumers to continue to bear its cost, even though the prices per pound of sugar paid by consumers under the quota system have been low as compared with the predepression prices.

"Two general lines of approach have been suggested with respect to the present problems. One is to continue the quota system and to complement it adequately by the enactment of an excise tax on sugar and by making provision for conditional payments to sugar beet and sugarcane producers. The other is that the quota system be discontinued and that the problem of protecting the domestic sugar industry be met through a return of the traditional tariff system but with such modifications in the form of preferentials as would be required to assure expansion of the foreign market for American exports.

"Although the tariff approach would appear to promise unlimited marketing opportunities to those domestic producing areas which have found sugar crops profitable under the quota system and consequently desire to expand their

production, experience has shown that a limitation of domestic production is inherent in the tariff system as well as in a quota system. The difference is in the form of the limitation. Under a tariff system domestic production is eventually limited by the disappearance of profit as a consequence of the tendency of agricultural costs to increase and prices to decline as production is expanded. Under a quota system the production of sugar beets and sugarcane is limited by the restriction of marketings. The important difference between the tariff system and the quota system to domestic sugar producers is not found in the factor of restriction but in the amount of profit that can be maintained. The profit from domestic production under a quota system can be preserved through the maintenance of prices. But under a tariff system, profits cannot be assured over a long period of time on account of the possibility that the supply placed on the market by either domestic or foreign producers may reduce the price to a point to which production is no longer profitable.

"THE PRESIDENT'S RECOMMENDATIONS

"The President has recommended that under any future quota system an equitable balance should be maintained among the conflicting interests of the various groups involved:

"(1) *Protection of consumers against excessive prices.*—In order that the regulation of interstate and foreign commerce through the quota system may not result in excessive prices of sugar to consumers, the President has recommended that provision be made to prevent any possible restriction of the supply of sugar that would result in prices to consumers in excess of those required to make the growing of sugar beets and sugarcane as profitable as the production of the principal other agricultural crops.

"(2) *Elimination of child labor.*—The prevention of child labor in sugar beet and sugarcane production is highly desirable not only as a humanitarian measure to prevent the exploitation of children for the strenuous work in sugar beet and sugarcane fields, but also as a means of unemployment relief for adult laborers. It is believed that the President's recommendation, namely, that the prevention of child labor be made a condition for receiving a Federal payment, would eliminate a practice which is generally recognized to be inimical to the public welfare.

"(3) *Protection of the income of laborers.*—In accordance with the policy of this Administration to bring about, wherever possible, improved wages and working conditions for laborers, the President also recommended that the maintenance of wage scales of not less than minimum standards be included among the conditions for receiving a Federal payment. Such a provision should make it possible to afford full protection to the right of laborers to an equitable share of the total income of the industry.

"(4) *Provision for small producers.*—Under the President's recommendations, adequate provision would be made to protect the right of both new and old producers of small acreages of sugar beets and sugarcane to receive a fair share of the benefits offered by the program. This would also tend to encourage increased diversification of crops.

"(5) *Expansion of export markets.*—Since our exports and imports are interdependent, the problem of making a quota system fair to the producers of our surplus agricultural crops requires that adequate provision be made for imports. Our agricultural industries are predominantly on an export basis. Consequently, American farmers require more than the American market in order to dispose of their normal production, and any increase of protected production impairs the export market for our surplus agricultural crops.

"Under the provisions of the Jones-Costigan Act, and the Reciprocal Trade Agreement with Cuba, there has been a continuous expansion of American exports without decreasing the market for domestically produced sugar. At the present time the quota system allots to other countries a certain percentage of the total consumption requirements for the continental United States. The President has recommended that in order to protect this arrangement for expansion of our export markets, no decrease be made in the share of other countries in the total quotas.

"(6) *Protection of taxpayers.*—The President has recommended an excise tax on sugar at the rate of not less than 0.75 per pound of sugar, raw value. It is estimated that a tax at this rate would raise approximately $100,000,000 per annum in revenue to the Treasury of the United States, without causing an increase in price to consumers. It is believed that the amount appropriated from the general fund of the Treasury for payments to domestic sugar beet

and sugarcane producers should not be in excess of the proceeds of any tax on that portion of the sugar produced domestically. Such a limitation on payments would appear to afford reasonable protection to the interests of taxpayers. It is estimated that the excess of the total income from the proposed tax, over the total conditional payments to be made to domestic sugar producers, would be approximately $45,000,000 per annum. This would constitute an appreciable item of relief of the burden borne by taxpayers at the present time.

"EFFECTS OF AN EXCISE TAX ON SUGAR UNDER A QUOTA SYSTEM

"On account of the fact that the levy of an excise tax on a commodity usually results, eventually, in an increase in the price equal to approximately the amount of the tax, one is likely to assume that excise taxes increase prices under all conditions; but an excise tax on sugar, within certain limits, under a quota system is one of the exceptions.

"The reason that an excise tax of 0.75 cent per pound of sugar would not increase over a period of time the price paid by consumers, under a quota system, may be stated briefly. The price paid by consumers is determined of course only by the supply and demand for sugar and since neither the supply nor the demand would be changed by the proposed tax, the price paid by consumers would not be affected by the tax.

"Since in most instances the total cost of production (including duties and taxes) tends to be related to selling price, there is generally assumed to be a direct casual relation between cost and price; but in fact the cost of production affects price only indirectly through its effect on supply. If the costs of production exceed price, there is a tendency for production to decrease, and the decreased supply causes an increase in price. Thus it will be noted that the quantity of the supply, and not the cost of production, is the direct casual factor in determining price; and factors other than cost of production—in this case quotas—can supersede cost of production in determining supply, and hence in determining price.

"The levy of an excise tax on foreign sugar would of course increase the cost of delivery, but under the quota system the price obtained for sugar sold by foreign producers in United States is greatly in excess of the prices they could obtain in other markets. The amount supplied the American market by such countries would not be decreased, below the total permitted under the quota system, so long as the rate of the tax levied on foreign sugars were not greater than the difference between the duty-paid price of sugar in the United States and the sum of the world price of sugar and the American import duty. That differential is approximately $1.50 per hundred pounds at the present time. Consequently, there is a substantial latitude in which duty-paid and world prices of sugar could fluctuate, with a tax of 0.75 cent, before it would become advantageous for foreign producers to decrease the amount of sugar they supply to the American market below the amount permitted to be imported under the quotas.

"The supply of sugar from domestic sources under the quota system would not be affected by the levy of an excise tax so long as Federal payments were made to the domestic sugar producers approximately equivalent to the amount of the tax. For these reasons, it appears to be reasonable to assume that the total supply of sugar made available to consumers under the quota system would not be affected by the imposition of an excise tax of 75 cents per hundred pounds. And if neither the supply nor the demand were altered by the levy of a tax, there appears to be no reason to believe that the tax recommended by the President would increase the price of sugar to consumers. Perhaps it should be noted that although there was a tax of one-half cent per pound of sugar during 1935 and no tax during 1936 the difference in the price paid by consumers in the two years was only one-tenth cent.

"It is generally recognized that since sugar is on an import basis, the import duty, from the standpoint of consumers, is in effect an assessment on all sugar consumed in the United States, although the Government collects revenue only on the imported sugar. The portion of the assessment on consumers not collected by the Government represents the increased income to the domestic industry. Likewise, under a quota system, consumers are in effect assessed an amount equal to the extent to which domestic prices are increased above the world level of prices at which the supply would otherwise be available. Consequently, the levy of an excise tax, which would not cause an increase of the prices to consumers, would constitute merely the substitution of an excise tax for a portion of the existing, but nonrevenue producing assessment on consumers under the quota system.

"In addition to its advantages as a revenue producing measure, an excise tax on sugar is also advantageous as a means of assuring domestic producers an equitable income, of preventing child labor, of protecting the right of adult laborers to reasonable wages, and of facilitating the administration of the quota system.

"The experience in administering the former sugar program has shown that the tax of 0.5 cent per pound was too low a rate either to constitute an adequate source of revenue or to bring about the full social and economic advantages of such a tax."

The CHAIRMAN. I am placing in the record a communication from the Secretary of State with reference to Senate Bill 2706, together with a copy of the Secretary's letter to the Chairman of the Committee on Agriculture of the House regarding certain provisions of H. R. 6776.

(The information above-referred to is as follows:)

AUGUST 7, 1937.

The HONORABLE PAT HARRISON,
United States Senate.

MY DEAR SENATOR HARRISON: I have your communication of June 25, 1937 requesting my comment on Senate bill 2706, which you state is now pending before the Committee on Finance.

My attitude toward pending sugar legislation, in its various phases, has been stated on several occasions while that legislation was before the House of Representatives. In particular, may I call your attention to my statement before the Committee on Agriculture of the House of April 30, 1937, a copy of which is enclosed herewith. The draft bill submitted to the Committee on Agriculture by the Secretary of Agriculture on April 8 last, fully embodies my views and I recommend that S. 2706 be so revised as to conform to the draft bill.

I should like to single out, as of particular importance, a notable point of difference between S. 2706 and the bill of the Secretary of Agriculture. The latter would continue to allow the Republic of Cuba to fill 22 percent of its sugar quota in the form of direct-consumption sugar. In 1936 this percentage amounted to 462,573 tons. S. 2706 would reduce the amount of direct-consumption sugar from Cuba to 375,000 tons. I urge that the bill be amended to provide for the continuance of the treatment established in the Jones-Costigan Act for the reasons that:

(1) the trade concessions granted to the United States by Cuba in the reciprocal trade agreement signed August 24, 1934 were based in part on the assumption that the sugar control plan, if continued in effect, would not be changed to Cuba's disadvantage;

(2) the difference between the amount of direct-consumption sugar now allowed Cuba as part of its quota and the amount which would be allowed under S. 2706 constitutes only about two percent of the total meltings of the domestic refining industry, whereas it represents about twenty percent of Cuba's meltings;

(3) in its report of February 8, 1934 the Tariff Commission reported "that no change in the relationship of the duty on refined sugar to the duty on raw sugar is warranted." The quota limitation is merely another device for securing the protection which the Tariff Commission found not warranted.

(4) in view of the highly mechanized nature of the sugar-refining business and the small amount of labor engaged therein (around 14,000 in the whole United States), no appreciable increase in employment could be expected to take place in this country if Cuban refined sugar were cut down; and

(5) it is believed to be against the public interest for the Government to grant any further measure of protection to a group whose record repeatedly indicates it would resort to monopolistic practices and conspire to restrain trade in violation of the antitrust laws. Only a little over a year ago the United States Supreme Court upheld a lower court ruling and found the Sugar Institute guilty on 40 separate counts of engaging in a combination and conspiracy to restrain trade in sugar.

In terms of permanent objectives, limitation of the amount of direct-consumption sugar which may enter from Cuba is open to serious objection. In as much as the present legislation is of a temporary character designed to remedy emergency conditions, some restriction may be necessary, but I cannot urge

too strongly that that restriction be no more onerous than that provided in the Jones-Costigan Act.

I should like to take this opportunity to comment on one feature of H. R. 7667 as passed by the House of Representatives, which does not appear in S. 2706. Section 401 (b) as amended would subject to the taxing provisions thereof "sugar in liquid form which is to be used in the distillation of alcohol." This measure is open to serious objection. I am confident that when the effects which the amendment would have are fully realized, the Finance Committee will recommend against its adoption by the Senate. My reasons for this belief are:

(1) The objective of the amendment is to cause more corn to be used in the distillation of alcohol. According to the Department of Agriculture corn would have to be selling at less than 40 cents a bushel at the distillery to make profitable its use for this purpose in place of molasses. Such a price would be ruinous for the farmer.

(2) A portion of the tax burden would be borne by the producer of molasses, and a portion probably would be passed on to the consumer of industrial alcohol. The domestic corn producer, far from being a beneficiary, would more probably have to pay a higher price for his industrial alcohol. In addition he would probably be a loser to the extent that United States exports of farm products to molasses-supplying countries (particularly to Cuba and the Dominican Republic) would suffer curtailment.

(3) Sugar legislation does not appear to be the fitting vehicle for this type of measure. The sugar bill is designed to regulate commerce in sugar; the amendment would tax inedible molasses intended for the production of alcohol, about 95 percent of which goes into industrial an medicinal products.

My views regarding this amendment are set forth somewhat more fully in a letter to Representative Marvin Jones of August 3, a copy of which is attached for your information.

Sincerely yours,

(Signed) CORDELL HULL.

Enclosures:

1. Statement before House Committee on Agriculture, April 30, 1937.
2. To Representative Marvin Jones, August 3, 1937.

[Copy]

AUGUST 3, 1937.

The HONORABLE MARVIN JONES,
Chairman, Committee on Agriculture,
House of Representatives.

MY DEAR MR. JONES: My attention has been called to the fact that the Committee on Agriculture of the House of Representatives, directly before reporting out the bill H. R. 7667, amended that bill so as to subject to the taxing provisions thereof, "sugar in liquid form which is to be used in the distillation of alcohol." It is my understanding that an amendment of this nature was not considered in any of the committee's hearings on the bill and that it has not appeared in any previous draft. Not having had a prior opportunity to communicate with your Committee on this particular subject, I am taking this means of acquainting you with several of the amendment's features which this Department considers to be exceedingly important.

(1) I should like to raise the question as to whether H. R. 7667 is the fitting vehicle for the measure contained in the amendment. The bill is designed to regulate commerce in sugar; the amendment would tax inedible molasses intended for the production of alcohol. According to the informal advices of the Federal Alcohol Administration, 90 percent or more of alcohol obtained from molasses is used for industrial purposes, 5 percent for laboratory, pharmaceutical, and medicinal purposes, and only about 5 percent for beverages. I do not recall that such a provision has ever before appeared in a draft of a sugar bill, and, of course, no such provision was in effect during the life of the Jones-Costigan Act.

(2) I am not aware that any official statement has appeared which would throw light upon the object of the amendment. The only reference on this point seems to be found on page 7 of your Committee's Report No. 1179 of July 2, 1937, in the statement "an amendment proposed by the Committee subjects sugar in liquid form, intended for distillation of alcohol, to the taxing provisions." It is assumed that the object of the measure is to encourage the use of corn in the place of molasses for distillation of alcohol.

It would not appear that this amendment would achieve its objective. According to the Department of Agriculture, corn would have to be selling at less than 40 cents per bushel at the distillery to make profitable its substitution for molasses in alcohol production. Even if corn were to replace molasses entirely in the production of alcohol in this country, the result would have no measurable effect on the income of the American farmer.

(3) It would appear that the amendment would burden the established trade in molasses to no appreciable good. A portion of the tax burden would be borne by the producer of molasses, and a share may be expected to be passed on to the consumer of industrial alcohol. The United States imports around 65 percent of its supply of nonedible molasses. Of the total imports, Cuba supplies about 75 percent and the Dominican Republic 9 percent. In a note dated July 17, the Minister of the Dominican Republic advised this Department that the amendment in question would cause the sugar producers of his country to lose approximately 60 percent of the income which they now obtain from the sale of molasses for distillation in the United States. Such loss in income would lead, in turn, to a decrease in purchasing power for American goods. As far as can be ascertained, the commodity which would stand to benefit most by the resultant interruption in this country's trade in molasses would be ethyl sulphate, a petroleum byproduct, an economical raw material for producing synthetic alcohol. The American corn producer would not be a beneficiary, but more probably the payer of a higher price for his industrial alcohol and a loser to the extent that American exports of farm products to molasses-supplying countries (particularly to Cuba and the Dominican Republic) would suffer curtailment.

The foregoing comments are intended to be apart from and unrelated to the remaining provisions of H. R. 7667, and without any bearing upon this Department's opinion of the bill as a whole.

Sincerely yours,

CORDELL HULL.

STATEMENT OF THE HONORABLE CORDELL HULL, SECRETARY OF STATE, BEFORE THE HOUSE COMMITTEE ON AGRICULTURE, FRIDAY, APRIL 30, 1937

In my opinion the policy laid down in the Trade Agreements Act is today one of the greatest corrective forces working for a better balanced, saner, more peaceful world. At a time when other forms of international cooperation are faltering or being entirely abandoned, and emergency economic conditions still exist, our trade agreements policy holds firm to a recognized code of fair and mutually profitable commercial relations for all the nations of the world. The greater momentum our policy acquires—and it has received splendid support from many of the leading nations of the world—the greater will its good effect be on world trade. It will help to relieve the strain on international relations and thus reduce the likelihood of war.

In line with our policy of improving international economic relations, and cooperating to improve economic emergencies, the Congress adopted the Jones-Costigan Act which permitted Cuba to participate in the plan for rehabilitating the domestic sugar industry. Our action at that time was influenced by many considerations which are as valid today as then. Cuba is one of our nearest neighbors. Many of our citizens laid down their lives in order that Cuba might be free and independent. When we undertook to aid the Cubans in establishing themselves as a sovereign republic, we assumed a moral responsibility toward them. Cuba's economic contribution to this country during the Great War was of great importance, and we should reciprocate in every fair and proper way. The Jones-Costigan legislation and the trade agreement with Cuba provide the fair treatment to which I believe Cuba is entitled. In great measure they have corrected the injustices of the Smoot-Hawley tariff that held Cuba in a vise of slow economic strangulation.

The legislation which the committee is now considering, namely, the continuance of the present sugar-control program, certainly until the emergency which rendered that program necessary has passed, has therefore a very important bearing on our relations with Cuba, and I feel confident that the committee will bear in mind the desirability for broad reasons of policy for treating one of our nearest neighbors fairly and equitably.

I am also confident that the committee will bear in mind the diversified interests of our Nation as a whole; sugar is one of our chief imports and an important item in the diet of our people; no consumer should be deprived of sugar because of its price; and the producers of surplus crops whose well-being depends on exports should also be taken into account. If the committee modifies

the Jones-Costigan Act contrary to the principles recommended by the President, it will greatly increase the difficulty of the task of restoring mutually advantageous international commercial relations.

In order that you may fully realize how effective the trade agreement and the Jones-Costigan Act have been in restoring mutually profitable trade relations between this country and Cuba, permit me to refer briefly to some of the results which they have had.

The depression began early for Cuba owing to the low price for sugar, so that by as early as 1931, the island was in a truly desperate condition. By 1933, our exports had fallen in value to 22.7 million dollars, when they had amounted to 191.6 million dollars in 1924. The sugar control program and the trade agreement brought about an improvement almost overnight. In the first full year after the trade agreement, our sales to Cuba increased to 55 million dollars, compared with 35 million for the preceding 12 months, and only 24.7 million for the year September 1932 to August 1933. In the second year after the agreement they continued to increase and reached 64 million dollars. Detailed figures showing the products of the United States which have benefited by this upward trend in trade are available in a recent study between United States and Cuban trade since 1934, copies of which I am leaving with you. This study will show the wide extent of these benefits, which affect a representative range of products in agriculture and industry.

Our exports of white potatoes, onions, and dried beans to Cuba increased during the first full year in which the Cuban agreement was in effect, from $468,000 in 1934 to $1,170,000 in 1935, an increase of more than 150 percent.

Our exports of hams and shoulders, bacon and lard during the first year of trade under the agreement with Cuba, as compared to the year preceding, more than doubled, increasing by nearly $3,000,000; whereas in contrast our total exports of these products was actually declining.

Exports of wheat flour to Cuba in the second year of the agreement were valued at $5,600,000, as compared to $3,600,000 in the year before the agreement.

Shipments of passenger automobiles to Cuba increased from $533,000 during the last preagreement year (September 1933 through August 1934) to $1,662,000 during the first year of the agreement, and continued to expand in the second agreement year (ending August 1936) when they totalled $2,017,000.

Exports of radios and radio equipment to Cuba increased from $402,000 in the preagreement year (ending August 1934) to $989,000 in the year ending August 1936.

It is, of course, true that our purchases from Cuba increased from 57 million dollars in both 1932 and 1933 to 81 million in 1934. They totalled 101 million dollars in 1935 and 122 million in 1936. Obviously it is not to be expected that sales of one country to another should balance its purchases from that country any more than it is to be expected that the doctor should buy groceries from his corner groceryman to the extent that the latter requires medical services. Cuba does not buy as much from us as we buy from Cuba. We need only a few of her products, mainly sugar and tobacco, whereas she needs to import hundreds of different raw materials, foodstuffs, and manufactures. Some of these we can supply, others we cannot. Cuba must buy in other markets of the world what we cannot supply, but in so doing, she is in effect making available to third countries for the purchase of American products dollar credits resulting from her sales to the United States. When we buy foreign goods, the credits we create in payment do not leave this country. They have to be liquidated eventually either in gold, services, or goods. From the sale of her sugar in the United States, Cuba uses some of the resulting dollar credits to buy foreign products which we cannot supply competitively, and those credits are then available for purchases by those foreign countries in the United States. There is an idea unfortunately too prevalent that when we buy something from abroad, we are losing not only our dollars but we are also cutting some American producer out of the business. As I said before, a dollar credit created here in favor of a foreign seller of merchandise must be eventually used in this country.

But in addition to our sale of merchandise to Cuba is the fact that we sell the island many "invisible" or service items that do not show up in trade figures. These include freight, insurance, return on United States investments, and so forth. In the aggregate they are an important source of income to the United States. For example, a large percentage of United States trade with Cuba is carried in United States bottoms. The following preliminary figures show that tonnage carried by our ships to and from Cuba increased by 600,000 tons between 1934 and 1936:

	Fiscal years—		
	1934	1935	1936
Total tons of cargo between Cuba and United States	3,079,021	4,466,478	4,337,765
Of this United States ships carried the following amounts	1,354,563	1,911,644	1,954,228
	Percent 44.5	*Percent* 43	*Percent* 45

In other words, our Cuban trade brings considerable revenue to our transportation services—several millions a year—which spreads out in wages, purchases of ship and railway supplies, and in payments to lighterage companies, longshoremen, et cetera. All of these payments come out of the dollar credits we make available to Cuba for her sugar and other products, and show clearly how such credits are often used up in ways which are little publicized but which are highly beneficial to many interests and communities. The benefits of the Cuban agreement consequently are not limited to those reflected in the trade figures.

There have been some complaints by certain groups in Florida and Louisiana to the effect that while the Cuban agreement may have benefited other sections of the country, it has not aided them. Let us consult official statistics. The following figures show Cuba's imports from the Florida and New Orleans customs districts. These do not include Florida and Louisiana products solely, it is true, but substantial percentages of the total represent such products:

Exports from Florida Customs District to Cuba

1932		$4,645,143
1935		6,469,921
1936	(preliminary)	8,663,000

Exports from New Orleans Customs District to Cuba

1932		$6,746,475
1935		11,424,729
1936	(preliminary)	12,471,000

Source: Commerce and Navigation; 1936 figures supplied by Department of Commerce.

Now, in both cases, exports to Cuba have almost doubled between 1932 and 1936, the combined increase being almost 10 million dollars. This, in my opinion, represents business that is worth safeguarding—not only because original producers are benefited, but because of the labor required in transporting, processing, and handling these shipments.

These figures deal only with Cuba. Let us also examine figures showing exports to the entire world from these same customs districts, which give a better idea of the importance of foreign trade to Florida and Louisiana. These figures are as follows:

Exports to the world

[000 omitted]

	1929	1932	1933	1934	1935	1936
From the Florida customs district	$55,509	$23,746	$29,869	$34,356	$36,446	[1] $39,308
From the New Orleans customs district	384,570	128,051	126,786	146,156	161,667	[1] 167,079

[1] Preliminary.

Source: Commerce and Navigation.

You will see how drastic a decline took place in exports from these regions during the early part of the depression and also how a steady increase set in 3 years ago, which has been sustained up until the present. These States have not yet recouped anything like their 1929 trade, but good progress has been made and I believe will continue, so long as our sugar and trade agreement policies are not upset.

I also wish to acquaint the committee with the surprising variety of exports from the Florida and Louisiana customs districts. I have had prepared a list (which I shall leave with you) of some of these exports, not all of which originate in these States, but many of which do. This list shows what a wide variety of interests are concerned in these localities with foreign trade. You

can readily see what it means to all of these various groups to have a steadily increasing foreign demand for their products. We must consider this when other groups in these same States ask us to change our sugar and trade policies which are helping to bring about general trade recovery.

I am also attaching a memorandum itemizing some of the direct and indirect benefits which Florida and Louisiana have obtained from our trade-agreements program as a whole.

I trust that the foregoing discussions and the exhibits attached hereto will convince you that the country as a whole, including the States of Florida and Louisiana, is benefiting under our trade policies. The recovery of our export markets would be aided by increasing the quotas for full-duty countries, which as provided in the draft of bill recently submitted by the Secretary of Agriculture, can be accomplished with fair treatment for all areas. At the present time out of total consumption requirements of approximately 6,682,000, the quotas for all the full-duty countries total only about 29,000 tons. This amount is distributed among 27 countries, several of which could fill the entire quota 10 times over. In the case of two countries, Peru and the Dominican Republic, the conclusion of advantageous trade agreements will be facilitated greatly if a way can be found to give the full-duty countries larger sugar quotas in our market. The value to our export trade of these two markets alone may be seen by the fact that our exports to them in 1929 amounted to $39,686,000. In 1936 our exports amounted to less than half this amount, namely, $18,018,000. Many key agricultural products have suffered because of this reduction in trade, among them being lard, wheat flour, condensed and evaporated milk, butter and edible oils, meats, and rice. Our exporters are pressing to regain these lost markets in Peru and the Dominican Republic. It will be difficult, however, to improve substantially our trade relations with those countries unless we are in a position to show some trade consideration for them. In the case of both countries, although there are some other concessions that could be made, the most important aid to the conclusion of agreements would be an expanded participation by them in filling the United States sugar-consumption requirements.

As indicative of sentiment in those countries, permit me to quote from the editorials of leading papers.

The Listin Diario (Ciudad Trujillo, Dominican Republic), February 2, 1936:

"* * * More than 65 percent of our imports are of American origin without, in exchange, our being offered great or small reciprocity. * * *"

"When shall we be able to mend these broken wires of commercial treatment with the United States."

La Cronica (Lima, Peru), September 16, 1936:

". . . Let the United States prove, practically, the effectiveness of that (good neighbor) policy . . .

"Once that quota has been assured (referring to a larger sugar quota), more money would flow into Peru. It is well known that the more money that comes in, the greater will be the purchasing power. People spend more, and therefore would give preference to American goods, the sales of which would be doubled, not to mention the condition of prosperity which would follow and which would benefit all."

El Commercio (Lima, Peru), February 26, 1937:

"It would be difficult to strengthen the bonds existing between the two countries, if nothing is done to remove the obstacles and disadvantages which at present burden nation products. The great desire for an interchange of products can only be realized with equity, if the intention of collaboration and of mutual understanding is made evident in a practical manner."

El Universal (Lima, Peru), April 8, 1937:

"* * * Certainly the White House will take into consideration the fact that a country can hardly buy machinery and manufactured goods when its economy depends upon agricultural products which cannot be marketed."

In order to increase the full duty quotas without disturbing the basis of the existing quota allocations, the draft of a bill presented by the Secretary of Agriculture proposed that any part of the full duty share of its quota not utilized by the Commonwealth of the Philippine Islands be reallocated on a pro-rata basis to the full duty countries. Under the Jones-Costigan Act, the Philippines have not elected to use any part of the full duty portion of its quota so that it would seem reasonable to assume that usually this part of its quota would be available for reallocation.

Under the existing distributions of the full duty quotas, the Latin American Republics other than Cuba receive 95.5 percent. They would continue to share in the same ratio under the proposal for increasing their quotas.

I call to the attention of the Committee that the President journeyed all the way to the Buenos Aires Conference in order to give emphasis to our desire to work in cooperation and to improve our friendships with the other American Republics. Action by the Congress in the sense requested would give a practical demonstration of the "good neighbor" policy.

This proposal seems preeminently reasonable and modest. It would not take away a pound of sugar from the present initial quota of any area; it would not involve any large amount of sugar, and in connection with trade agreement negotiations it would make possible great benefits to our farm and factory exports, to the advantage of the economy of the country as a whole. For these reasons I regretted to learn that the subcommittee had entirely eliminated this proposal from the bill. The stake of the country is so large in this matter that I express my earnest hope that the full Committee will take favorable action in this matter.

With regard to the sugar quota distribution in general, the Department has consistently maintained the view that it should be fair and equitable to all areas concerned, which means in effect that the quotas should be directly related to marketings during a previous representative period. This principle was applied with respect to the quotas provided for under the Jones-Costigan Act. All areas received quotas approximately in proportion to their marketings during a previous representative period and shared pro rata in any allocation of deficits or increase in the total quota owing to expanding consumption.

It is, therefore, of great concern, not only to the Department of State, but to the entire export community to find that the quota arrangement proposed in Committee Print No. 2 departs from the principle of fair and equitable treatment with respect to quotas as embodied in the Jones-Costigan Act. The committee print not only provides a procedure that would result in a reduction in the basic Cuban quota, at the present level of consumption, of approximately 102,000 tons, but it would also in effect completely exclude the Philippine Islands, Cuba, and all other foreign countries from sharing pro rata in filling deficits and also from sharing in increased consumption requirements. This inequitable treatment markedly contrasts with the fair treatment provided in the Jones-Costigan Act, under which all areas participated on an approximately pro-rata basis in any reallocations because of deficits or increases in total quotas as a result of growth in consumption requirements.

The trade agreement with Cuba was negotiated on the basis of good faith and mutual advantage. Each country reduced its tariffs and curtailed other restrictions in order that trade might move freely between them. In order to guarantee that no new obstacles would be placed in the way of this trade, the Government of Cuba agreed to impose no quantitative restrictions on the importation of goods from the United States that are set forth in the agreement unless those restrictions were "designed to extend to imported products the regime analogous to that affecting like or competing domestic products." Cuba scrupulously lived up to this undertaking which is of real value to our export trade. The United States agreed to a similar commitment with respect to products from Cuba described in the agreement. Sugar is one of those products.

With regard to imports of direct-consumption sugar from Cuba, Committee Print No. 2 proposes a drastic curtailment. Under the Jones-Costigan Act, 22 percent of the Cuban quota may enter as direct-consumption sugar. Last year 22 percent was equivalent to approximately 450,000 tons. Under Committee Print No. 2 no more than 300,000 tons of the Cuban quota may enter as direct-consumption sugar.

It is my frank opinion that this is a step backward. I feel strongly that Cuba should not receive less favorable treatment in this connection than was given under the Jones-Costigan Act and which was confirmed by the Congress in Public Resolution No. 109 of June 19, 1936. We are dealing with temporary legislation which is designed to remedy emergency conditions. Later, when this entire subject is examined from a standpoint of long-range national policy, it may well prove to be undesirable to have any limitations whatsoever placed on refined sugar entering this country.

Certainly there is no warrant for a reduction in the amount of direct-consumption sugar allowed Cuba under existing legislation. I believe the interests of the great American consuming public will best be served by permitting reasonable competitive conditions to obtain in the refining industry. A reduction in the quota of Cuban refined such as Committee Print No. 2 proposes would, I am informed, practically force the Cuban refiners to suspend operations. This would not be a healthy or a desirable condition either from Cuba's standpoint or from the important standpoints of our trade with Cuba and the best interests of our sugar consumers.

My opinion on this question is strengthened by the record of the sugar-refining industry in this country, which does not make reassuring reading. Starting over 50 years ago, this industry has become well acquainted with our courts in connection with suits on restraint of trade and other related matters. Only a little over 1 year ago the United States Supreme Court upheld a lower court ruling and found the Sugar Institute guilty on 40 separate counts of engaging in a combination and conspiracy to restrain trade and commerce in sugar. In view of this judgment of the court, it would not appear to be sound public policy in any way to abet the return of conditions which have been so bad that our courts have had to take drastic action in order to clean them up.

I therefore urge the committee in all earnestness that it maintain the status quo on the question of entry of Cuban refined sugar, pending, as I have suggested earlier, a later reexamination of this whole matter in terms of permanent objectives.

In summary, let me say that I am well aware of the complexity of the problem you are considering and of the difficulty in treating equitably all of the manifold interests involved. I have endeavored to give you an accurate picture of how important this legislation is to the administration's trade policies. The decline in our imports of Cuban sugar from 1928 to 1932 was accompanied by a loss in the Cuban purchases of American farm products from more than 800,000 acres of our land.

It has been computed that consumers in the United States last year paid approximately $350,000,000 in excess of world prices for their sugar supply—a tax of nearly $3 on every man, woman, and child, including that underprivileged one-third of our Nation—those 40,000,000 persons—who do not enjoy, as the President has pointed out, sufficient food or shelter.

In view of the stake which we as a Nation have in healthy, unimpeded world trade and considering the contribution that liberal trade policies make toward the great cause of international good will and peace and the improvement of standards of living, I sincerely hope that the committee will make every endeavor to reach an equitable solution of the problems you are now considering. It is my sincere belief that you can do no better than to follow, as your guide, the principles laid down in the President's message as embodied in the draft bill proposed by the Secretary of Agriculture on April 8.

Selected exports from the New Orleans Customs District

Product	1932	1935	1936
Canned beef	7,854	34,047	47,282
Canned sausage	24,271	66,525	88,586
Sausage casings	61,965	127,014	81,488
Shrimp	(1)	171,399	193,325
Shellfish	119,408	288,341	255,840
Milled rice	(1)	1,145,317	101,208
Plain biscuits	44,768	63,558	106,984
Oyster shells	42,082	39,406	45,387
Onions	48,599	239,015	253,017
Apples	27,725	86,831	89,242
Grapes	18,443	82,839	82,279
Pears	11,691	43,124	48,438
Sugars, refined	603	232,726	98,927
Wood rosin	154,452	231,193	302,734
Vegetable soap stock	69,643	176,709	211,962
Pine oil	3,614	46,272	55,021
Smoking tobacco	16,012	233,240	263,273
Cornstarch	169,713	209,386	315,927
Cotton (under 1⅛ inches)	60,234,943	73,939,248	72,739,552
Linters	868,738	2,646,223	3,188,668
Cotton yarn (mercerized)	78,000	84,362	96,247
Cotton yarn (not mercerized)	25,142	90,867	69,792
Cotton sewing thread	3,507	41,497	60,589
Cotton twine and cordage	24,345	62,789	48,079
Cotton sheetings 40 inches wide and under	558,949	556,894	675,918
Osnaburgs	206,752	541,865	663,738
Cotton bags	409,383	689,982	767,396
Rayon yarn	31,213	207,513	143,739
Other hardwood logs	15,865	106,510	38,413
Creosoted railroad ties	34,208	109,047	139,847
Southern pine:			
Sawed	584,630	1,088,603	836,818
Rough	1,354,437	2,232,840	1,922,531
Dressed	268,706	422,836	424,944

(1) Not shown.

Selected exports from the New Orleans Customs District—Continued

Product	1932	1935	1936
Ash, boards	305,274	638,603	659,648
Gum, black	30,889	179,062	192,681
Oak	1,778,421	2,526,702	2,657,106
Poplar	90,665	160,097	178,723
Walnut	127,316	235,629	315,643
Mahogany	265,899	435,534	498,442
Magnolia	65,987	139,053	113,792
Staves	586,099	927,022	954,916
Tight heading	139,241	199,134	239,968
Shooks, tight	346,782	1,326,446	642,374
Veneers	33,710	172,789	203,268
Hardwood flooring	82,354	419,391	483,898
Handles, for tools, etc	127,536	224,816	261,126
Greaseproof paper	1,058	166,994	214,750
Wrapping paper	27,521	182,713	355,413
Fiber insulating board	500,116	801,855	845,342
Paper bags	74,425	139,405	159,478
Gas oil and distillate fuel oil	283,627	1,921,403	2,069,276
Lubricating oil	2,339,109	3,332,764	4,058,363
Lubricating greases	87,271	112,249	135,990
Glass containers	50,176	302,110	189,530
Other glassware	5,562	58,211	53,131
Fireclay brick	60,323	101,475	107,426
Asphalt	76,747	376,545	237,404
Steel sheets:			
Galvanized	244,663	978,696	523,094
Black	73,028	447,007	239,455
Refined copper	139,702	1,025,523	2,004,977
Radio-receiving sets	56,678	187,825	203,918
Petroleum machinery	236,450	1,401,820	1,201,748
Cotton gins, etc	8,060	922,722	1,176,708
Reaper-threshers	1,061	1,102,819	310,479
Tracklaying tractors	26,097	634,542	1,037,977
Passenger cars (valued not over $850)	92,541	3,533,843	3,443,613
Passenger cars (valued $850 to $1,200)	49,881	546,156	707,434
Benzol	94,414	1,297,663	1,352,561
Other coal-tar products	323	201,652	179,662
Carbon black	1,846,099	2,057,409	2,057,919
Hams and shoulders, cured	293,177	372,056	352,822
Lard	733,675	1,301,739	1,225,388
Shellfish, canned	8,853	31,312	58,073
Upper leather	19,391	48,125	28,692
Shoes	16,824	188,394	299,324
Other oil-cake meal	6,000	56,273	16,124
Oyster shells	178,716	186,262	215,730
Canned vegetables	7,392	13,838	22,448
Oranges	5,677	29,824	33,827
Canned grapefruit	264,078	1,705,722	1,674,886
Fruit juices	4,300	87,245	71,499
Gum resin	2,046,001	2,874,881	3,709,850
Wood resin	264,746	493,022	395,296
Wood turpentine	14,359	78,608	192,628
Pine oil	19,338	91,528	156,346
Vegetable and flower seeds	6,770	17,440	22,034
Cornstarch and cornflour	1,202	83,228	122,590
Raw cotton	6,123,251	8,341,266	6,481,238
Cotton twine and cordage	28,242	117,549	171,468
Southern pine, sawn	383,830	774,772	526,207
Cypress, sawn	14,517	23,461	45,085
Southern pine:			
Rough	2,392,281	3,363,078	2,914,047
Dressed	602,670	428,047	546,632
Ash, boards	160,233	187,652	205,289
Gum, red	30,852	63,452	72,489
Gum, black	7,152	22,277	24,451
Hickory	27,805	23,983	45,283
Poplar	60,446	124,944	120,805
Mahogany	2,749	49,503	168,912
Shingles	7,865	17,094	23,193
Shooks	35,646	79,103	83,513
Boxboard	168,163	445,840	397,967
Glass containers	18,877	103,994	98,966
Iron and steel scrap	37,306	1,124,607	1,443,220
Steel sheets, galvanized	63,220	110,492	76,065
Radio, receiving sets	65,522	159,928	208,358
Sugar-mill machinery	7,871	95,858	92,856
Cotton gins, etc	None	50,650	13,446
Tracklaying tractors	None	59,076	84,911
Phosphate rock, high grade	248,880	697,260	881,650
Phosphate rock, Land pebble	2,389,137	4,954,489	5,618,963
Prepared fertilizer mixtures	24,712	124,163	67,877

BENEFITS TO FLORIDA AND LOUISIANA FROM THE TRADE AGREEMENTS PROGRAM

Sixteen reciprocal trade agreements have been concluded under authority of the Trade Agreements Act, and concessions have been secured on hundreds of American products, many of which are important to the agriculture, industry, and shipping of Florida and Louisiana. In some cases foreign outlets are being regained for products of which these States are outstanding producers. In other cases foreign markets have been opened for products common to these and other States, and the sale of exportable surpluses of such commodities will be beneficial to all producers, even though the export shipments do not originate in Florida and Louisiana. Moreover, the railways, trucking companies, and steamship lines operating in these States are benefiting by the increased movement of goods through their ports. And, most important, the people of these States are sharing in the general improvement throughout the country which may to an important extent be attributed to the expansion of foreign markets for the products of American agriculture and industry.

The reopening of lost foreign markets must of necessity be a gradual process and must involve many factors. However, the results already achieved have demonstrated the effectiveness of the trade-agreements program as an instrument for restoring to American farmers and manufacturers necessary outlets abroad for their surplus production. Furthermore, the agreements have contributed to an improvement of our relations with other nations and to the maintenance of world peace.

Florida counts among its important exports, fruits and vegetables (fresh and canned), lumber and wood products, naval stores, and phosphate rock. Between 1929 and 1932 direct exports from Florida of fresh and canned fruits and vegetables dropped from $2,600,000 to $900,000 in value, lumber and wood products from $10,000,000 to $3,800,000, naval stores from $9,300,000 to $4,000,000, and phosphate rock and other fertilizers, from $5,400,000 to $2,700,000. The restoration of foreign markets for these products is highly important to Florida.

As a leading producer of citrus fruits, Florida is directly benefited by concessions obtained on such fruits in 13 of the 16 trade agreements thus far concluded. Eight countries, including Canada and France, have granted substantial concessions on fresh grapefruit. Eleven countries have given concessions on canned grapefruit, and four countries (France, Canada, Guatemala, and Colombia) have granted concessions on oranges.

Evidence is already available of the beneficial effects of these concessions. During the first 6 months of the Canadian agreement, the United States exported to Canada 1,805,000 boxes of fresh oranges and grapefruit, valued at $4,241,000, as compared with 1,583,000 boxes, valued at $3,710,000 in the same period of 1935. During the first year of the Swedish agreement, exports of fresh grapefruit to Sweden amounted to 6,466 boxes as compared to 747 boxes in the preceding 12 months. During these periods exports of canned grapefruit to Sweden increased from 1,270 to 17,644 pounds. During the first year of the Belgian agreement, exports of grapefruit to that country were valued at $215,000, compared to $98,000 in the preceding 12-month period. General exports of citrus fruits were valued at $10,300,000 in the first 6 months of 1936 as compared with $8,800,000 in the first half of 1935.

Florida growers or processors of vegetables are benefiting by concessions obtained in 15 trade agreements. Concessions include duty reductions and guarantees not to increase the present duties on fresh, canned, and dried vegetables; in some cases the duty has been removed entirely and the vegetables placed on the free list. Canada particularly, gave the United States far-reaching concessions. On sweetpotatoes, eggplant, okra, horseradish, and artichokes the duty was removed entirely; on most other fresh vegetables the basic ad valorem rate was reduced by 50 percent; and except for tomatoes the minimum specific duties hitherto applicable during periods when our vegetables compete with Canadian vegetables have been entirely canceled. In addition, the system of advancing the value, and consequently the duty, on vegetables during the Canadian season has been greatly ameliorated.

Canadian statistics show that imports of fresh tomatoes from the United States increased from 3,300,000 pounds valued at $170,229 in the first half of 1935 to 9,700,000 pounds valued at $314,693 in the first half of 1936. During the same period the value of other fresh vegetables imported by Canada from the United States increased from $2,000,000 to $2,300,000. While Florida may not in all cases share directly in the increased exports of vegetables resulting from the trade agreements program, it nevertheless benefits from all concessions

granted, for whatever is exported to foreign countries from other sections of the United States tends to improve the domestic market and thus give Florida beter market opportunities at home.

Lumber and lumber products are other Florida products benefiting by concessions obtained in 11 agreements. During the first year of the Cuban agreement, our exports of gum boards, planks, and so forth, to that country, increased from 936,000 to 2,676,000 feet, while our exports of southern pine boards increased from 22,000,000 to 33,000,000 feet, and of southern pine shooks from 110,000 to 306,000 board feet. A larger quota for resinous woods was obtained from Switzerland. Statistics for the first year of the Belgian agreement show that our exports to that country of sawn wood increased from $1,800,000 to $2,100,000. In the recently concluded agreement with France, substantial supplemental quota allocations were obtained on common woods. Concessions for naval stores were obtained from Brazil, Belgium, Colombia, Costa Rica, Netherlands, Sweden, and France.

Sweden has bound phosphate rock and other fertilizers on the free list, while Canada, the Netherlands, and Netherlands Indies have granted concessions on certain fertilizers. Since Florida produces over two-thirds of the country's output to raw phosphate, these concessions are of particular interest to it.

Louisiana's stake in export trade lies primarily in petroleum products, cotton and lumber. In addition to these, however, there are many other products which form an important part of the export trade of Louisiana. Among these are corn, semimanufactured cotton, rice, potatoes, sugar syrup, lard, and a variety of fruits and vegetables. Smaller in value, but of importance to many sections of the State, are the exports of cottonseed oil and cake, carbon black, iron and steel manufactures, and naval stores, particularly rosin and turpentine.

In 1929, most important in exports from Louisiana were petroleum products, valued at $77,294,000. In 1932 such exports amounted to only $12,926,000, a decrease of 83 percent. With a view of restoring foreign markets for petroleum products, the United States has thus far obtained concessions in 8 of the 16 agreements on a wide range of such products, including gasoline, all types of lubricating oils and greases, parafin, petrolatum, and fuel oils.

Unmanufactured cotton has in recent years been the leading export of Louisiana. In 1929, its cotton exports were valued at $63,771,000, and in 1932 at $47,913,000. Every effort has been made in connection with the negotiation of trade agreements to insure the continued free entry of American raw cotton into foreign countries which now admit it free of duty in order that it may move in larger quantities as foreign capacity to buy cotton, cotton manufactures, and other American products is increased as a result of the reduction of excessive barriers to the sale of foreign commodities in this country.

Concessions of direct benefit to the American cotton grower and manufacturer have been obtained in 13 of the 16 trade agreements thus far concluded. Six countries—Cuba, Sweden, Canada, the Netherlands, Switzerland, and Finland—have guaranteed to continue the present favorable treatment accorded imports of American raw cotton. Two countries—Cuba and Guatemala—have reduced the duty on cottonseed oil. Two countries—Cuba and Sweden—have granted concessions on cottonseed oil cake. Five countries—Cuba, Canada, Colombia, Guatemala, and France—have granted concessions on cotton yard, and 10 countries have granted concessions on various cotton textile manufactures.

Louisiana ranks high among the States in the production of lumber. Its exports of lumber and timber in 1929 were valued at $12,528,000 and in 1932 at only $3,461,000. Important concessions have been obtained in 11 of the 16 trade agreements concluded to date. In addition to the benefits accruing to the producers and exporters of lumber products on which specific concessions have been obtained, the lumber industry should benefit from increased exports of farm and factory products which require boxing and crating. It has been estimated that 1,500,000,000 feet of lumber was used in the packing of merchandise exported from the United States in 1929.

Louisiana produces considerable quantities of rice, and this product constitutes an important item in the export trade of the State. The value of Louisiana's rice exports declined, however, from $6,093,000 in 1929 to $2,657,000 in 1932. Efforts are being made to provide for the recovery of foreign markets for our rice through the trade agreements program. Duty reductions on rice have been obtained from Cuba, Canada, and France, while Belgium, Sweden, the Netherlands, and Switzerland have bound their duties on rice against increase.

Concessions of importance have also been obtained on corn, oats, barley, rye, and potatoes. Ten countries have granted us concessions on oatmeal, and from six countries we have obtained concessions on prepared breakfast foods.

Concessions on paper products have been secured from six countries, including the two which are the best customers for American paper exports, namely, Canada and Cuba. The agreements with Canada and Cuba have resulted in duty reductions on a wide range of paper products.

Concessions of benefit to American vegetable producers and canners have been obtained in 15 of the 16 trade agreements concluded to date. These concessions include duty reductions and guarantees not to increase present duties on fresh, canned, and dried vegetables; in some cases the duty was removed entirely and the vegetables placed on the free list. During the first 6 months of 1936, our exports of vegetables showed a 22 percent increase over the corresponding period of 1935.

Concessions of direct benefit to domestic growers and processors of fresh, canned, and dried fruit have been secured in each of the 16 trade agreements.

Concessions have been obtained on many other commodities of interest to Louisiana such as carbon black, lard, iron, and steel manufactures, naval stores, and jute bags. In addition, in 11 of the 16 trade agreements, facilities have been provided for the exportation of American patent medicines and pharmaceuticals. Nine agreements benefit the American manufacturers of paints and varnishes.

The port of New Orleans is second only to New York in the amount of foreign commerce handled. The increased trade resulting from the trade-agreements program will be of substantial benefit to New Orleans and the many interests closely associated with international trade.

Both Louisiana and Florida are in a position also, to benefit, directly and indirectly, from concessions which have been obtained on numerous products other than those mentioned above. The United States, through this program of reciprocal trade agreements, is expanding foreign markets for hundreds of American products. While many Florida and Louisiana commodities may not enter directly into foreign trade, increased foreign sales help to take up the surpluses of some other producing region and thus give those commodities a better opportunity in the domestic market. Under this program the purchasing power of a large number of farmers and workers, directly and indirectly dependent upon foreign markets is thus being reestablished. The restoration of domestic markets through the diffusion of this increased purchasing power is contributing greatly to the recovery of full industrial and agricultural activity throughout the country.

The CHAIRMAN. I am also inserting in the record telegrams from the president of the American Chamber of Commerce of Cuba and the president of the Chamber of Commerce of Puerto Rico.

Hon. PAT HARRISON, HAVANA, CUBA.

Chairman Senate Finance Committee, Wash., D. C.

In behalf of American sugar interests in Cuba we respectfully protest against the Lucas amendment to the pending sugar bill imposing an excise tax on molasses used in the manufacture of industrial alcohol and which also adversely effects all American business engaged in commerce between Cuba and the United States. The taxing of this byproduct will greatly reduce Cuba's income from the sale of molasses and consequently immediately curtail Cuba's purchasing power for American farm and manufactured products including lard and rice. The corn producing areas of the United States will not benefit because corn consumption in alcohol production will not be stimulated. On the contrary these areas will suffer through the loss of hog lard export trade. We feel certain a thorough examination of these considerations will conclusively show that the Lucas amendment is highly prejudicial to the very interests it seeks to help and that it should be eliminated.

THE AMERICAN CHAMBER OF COMMERCE OF CUBA,
G. W. MAGALHAES, *President.*

SAN JUAN, P. R.

L. C. Hon. PAT HARRISON,
Chairman Senate Finance Committee.

Earnestly request you bring to attention your committee my cablegram to you of July 2 and urge that it be given serious consideration. We look up to your committee to do justice by Puerto Rico.

FILIPO L. DE HOSTOS,
President Chamber of Commerce,
Puerto Rico.

SAN JUAN, P. R. 2.

N. L. T. Hon. PAT HARRISON,
Chairman Senate Finance Committee,
Washington, D. C.

The undersigned organizations representing the business, common agricultural, industrial, labor, professional, and civic interests of the island vigorously protest the discriminations against Puerto Rico contained in Senate Bill 2706 regulating the sugar industry. We submit that such discriminations are an impairment of our rights as American citizens and an unwarranted and unjustifiable disregard of the dire consequences which proposed legislation is bound to have on economic and moral wellbeing of this part of the Nation and on the very important community of interest now existing between Puerto Rico and the United States. Further curtailment of our sugar quota would be a very serious economic blow to a community already overburdened with the evils of overpopulation and in this connection request that your committee consider that bearing of our sugar industry on the economic structure of the island is far greater and more important than in the case of any other domestic producing area and further that any loss in our purchasing power represents a relatively greater loss to American business. Lacking political influence in nations councils Puerto Rico must depend entirely on the high spirit of justice and fair play of Congress and to this we now appeal.

Filipo L. De Hostos, President Chamber of Commerce of Puerto Rico; American Federation of Labor, Puerto Rico; Merchants Federation, Puerto Rico; Farmers Association, Puerto Rico; Civic Reform League; Labor Commissioner of Puerto Rico; Chamber of Commerce of Ponce Insular Chamber of Commerce; Grocery Retailers Association; Dry Goods Wholesalers Association; Tobacco Dealers Association; Real Estate Owners Association; Puerto Rico; Fruit Union, Puerto Rico; Sugar Producers Association, Puerto Rico; Fruit Exchange, Puerto Rico; Manufacturers Association, Puerto Rico; Board of Fire Underwriters Contractors Association; Liquor Manufacturers Association; Rotary Club, Puerto Rico; Bankers Association, Puerto Rico, Institute of Accounts.

The CHAIRMAN. Gentlemen, if there is no objection, unless something comes up which we do not look for now, we will meet in executive session at 4 o'clock tomorrow afternoon.

(Subsequently the following was furnished the committee and ordered printed in the record:)

UNITED STATES CANE SUGAR REFINERS' ASSOCIATION,
Washington, D. C., August 10, 1937.

Senator PAT HARRISON,
Chairman of Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR HARRISON: The following comments with respect to testimony at the hearing before your committee on the Sugar bill, August 9, 1937, may be of interest:

1. Mr. Arthur L. Quinn, representative of the Puerto Rican refiners, testified (p. 109 of printed record) that the American Sugar Refining Co. owns "a 25-percent interest in the common stock of the National Sugar Refining Co., for whom Mr. Bunker testified. That amounts to 145,738 shares."

The American Sugar Refining Co. does own a 25-percent interest in the common stock of the National Sugar Refining Co., but Mr. Quinn failed to mention

that that stock is held under terms which deprive it of any representation on the board of directors or voice in the management of National.

Mr. Quinn also mentioned interests of American Sugar Refining Co. in two beet-sugar enterprises. Those enterprises are not members of the association which I represent.

2. Mr. Quinn's testimony (p. 109) exaggerated the Cuban interests of the American Sugar Refining Co. I am advised that the American Sugar Refining Co.'s Cuban interest consists of two raw-sugar plantations, which, under the existing Cuban sugar control, have an annual production of about 700,000 bags of sugar out of a total Cuban crop of about 20,000,000 bags.

3. At page 112 Mr. Arthur L. Quinn stated that the refinery built in Brooklyn in 1935 "has a melting capacity of about 1,800,000 pounds a day." I have personally visited that refinery, and the fact is that it is one of the smallest refiners in the United States, having a melting capacity of only about 350,000 pounds a day. It is engaged in the refined-sugar business in only a limited way.

May I suggest that this letter be included in the record of the hearings?

Yours respectfully,

ELLSWORTH BUNKER, *Chairman.*

STATEMENT SUBMITTED BY CHARLTON OGBURN, GENERAL COUNSEL FOR THE AMERICAN FEDERATION OF LABOR

The provisions of the sugar bill (H. R. 7667) are far from satisfactory from the point of view of the public and of labor.

It seems to me, however, that, if there be established by law a quota of raw sugar, it is only fair to American labor that there be a quota on refined sugar coming into this country, especially from Cuba.

American labor engaged in production and transportation in American sugar refineries naturally look askance at competition from Cuba, where there are low-wage scales and where the unions have been virtually abolished. The modification of the Platt Treaty leaves us free from any obligation to place the Cubans on a parity with inhabitants of American possessions.

I hold no brief for the sugar refiners of America, whose policies have justified much of the adverse criticism against them. Their record, however, is certainly as good as that of corporations engaged in refining sugar in Cuba as, for instance, the Hershey Co. Some of the American refineries are paying their union labor as much in an hour as labor in the Tropics receives for a day's work. Should this American labor be subjected to this competition from the Tropics?

Unlimited importation of refined sugar from the Tropics undoubtedly would reduce somewhat the cost to the consumer. (The importation of all manufactured products from abroad, free of duty, in fact would correspondingly reduce the cost of these manufactured products to the American consumer; but we still keep our tariffs.) American labor is opposed in principle to the extension of manufacturing to the Tropics where labor receives as much for a day as an American worker gets for an hour. The decision of the Supreme Court in the *Philippines Coconut Oil case* gives us a legal warrant for seeking this protection.

My view, however, that H. R. 7667 should retain the quota on refined sugar as contained in section 207 is predicated upon, and I believe justified, by the whole quota system of raw sugar and the subsidies which are paid thereunder. The quota system for refined sugar is certainly no less artificial than the subsidies system of raw sugar quotas.

It is my opinion, furthermore, that the labor provisions contained in H. R. 7667, title III, section 301 (a) and (b) should be strengthened for the better protection of labor. I believe Mr. Green, president of the American Federation of Labor, may address a letter on the subject of the labor provisions to you.

BRIEF OF H. E. MILES, CHAIRMAN, FAIR TARIFF LEAGUE[1]

Mr. Chairman and members of the Finance Committee, each of the many times that I have read the title of the pending bill on sugar (H. R. 7667), I have, in imagination, made an instant trip to Greenland and back, a pleasant experience in the dog-day heat of summer in Washington.

Why Greenland? Because as a boy the name fascinated me—a cool land clothed in the beauty of majestic and primeval forests, with tumbling rivers and an abundance of physical life.

Years later when I learned that the opposite is true; that there is not an iota of green in Greenland and that the only life there is a few hundred wretched Eskimos and a few polar bears, all living off the defenseless life of the sea; and that it was called Green-land because there was no green in it and that the green if any must be in the name, when I learned this it was too late to rid myself of the first illusion.

As with Greenland the title or name of the bill under consideration is virtuous—I won't say virtuous because the bill is quite the opposite.

The title says (1) "To protect the welfare of consumers of sugars" when the bill does the opposite.

Through the many taxes and subsidies that it imposes or supports it robs a million of the poorest families in America of the equivalent of sixty loaves of bread or sixty quarts of milk per year; I refer to regularly employed families. I do not include the other millions of families who are unemployed and living on relief or charity.

The above statement accords with the findings of the Consumers' Counsel of the Department of Agriculture.

A bulletin recently released by the Bureau of Labor Statistics finds that the typical regularly employed working family with the smaller income spends $8 a week for food for a family of four or 9½ cents per person per meal. As your sugar subsidies average $3.23 per person per year, it takes from these poor employed families the equivalent of 30 full meals per year or food for 10 days.

As millions of families on relief must live as cheaply, you do as badly by them. All told, you would rob millions of families who are never free from the pangs of hunger, not even when they are asleep. You weaken their efficiency and lessen the possibility of bettering their incomes. This is the way that the nameless party now in power, sometimes called Democratic, sometimes New Deal, "protects the welfare of consumers of sugar." And, in less degree, but in the same fashion, robs moderately well-to-do families of money needed for dentists, for medicines, and for education of children, for recreation and modest pleasures. Republicans did their worst when they could, but never so badly as now. Sugar is bipartisan and with a vengeance.

(2) Next, the title promises "to protect the welfare * * * of those engaged in the domestic sugar-producing industry." Certainly not their moral welfare, because this bill, like the present law, gives some $61,000,000 to the refiners of home-grown sugar, of which millions as much is used as a slush fund for the corruption of public morals and legislation as is needed to continue, not the promises of the bill's title, but the actual evil practices of the provisions of the bill. For this $61,000,000 domestic processors render no service whatever. Their service in processing takes only 70 days at harvest time, for which service they are amply paid at a decidedly higher rate than is charged by the coastal refiners who grow richer and richer without governmental aid.

For every domestic sugar grower who says he gains from the present consumer's subsidy tax of $410,000,000 annually, there are 100 other farmers of such opposite judgment that they won't grow sugar at all. They are convinced that other crops pay better.

To what I call the 61-million-dollar slush fund given to domestic processors add $300,000,000 taken by force of law from poor and rich alike and distributed between domestic growers, Hawaii, $52,372,000; Puerto Rico, $44,587,000; and the Philippines, $52,000,000; with as much of this total to be used for slushing and corruption as will continue legislation of this sort, and we see why Congress and the Nation is helpless; why the present administration was strongly inclined toward free sugar and then changed its mind;

[1] The league is a protectionist organisation of some 2 million members striving to free protection from the extortion and graft that has fastened upon it.

why only President Wilson in this century put the total sugar subsidy at 1 cent a pound and provided for free sugar 3 years later, as against 2.6 cents in 1936, including $218,000,000 that the growers added privately to their price for their private use and benefit. They could do this because the quotas provided by Congress establish a near scarcity, with each week's supply just equaling the demand; in fact, a monopoly basis as proven by the uniformity in prices at monopoly and extortion levels.

(3) The title promises to promote the export trade of the United States. This when no sugar bill could be written more hurtful to export trade than this bill which keeps idle 954,000 acres of choice farm land and the men who would till them, with the product to be taken by Cuba in addition to her present purchases if we would take her sugar in payment. Unquestionably Holland would use the product of as many more acres if we would take her sugar from Java in payment. If we wanted still more sugar other countries would trade on the same basis.

If Louisiana would free itself and the Nation of its sugar profiteers it could replace each of its present sugar acres with 3 acres in cotton for export. States like Iowa could substitute for each acre in sugar 3 acres in corn or 6 acres in wheat. So says the Department of Agriculture.

(4) Lastly, the title of the bill would tax sugar consumers the above $410,000,000 "to raise revenue" for the Government. In fact, the sugar revenue raised in 1936 consisted of about $395,000,000 raised as private revenue for the private use and benefit of the sugar profiteers and only about $15,000,000 going to the Treasury for its own use after the $39,000,000 of net receipts had been reduced by checks on the Treasury distributed as benefits to growers—$15,000,000 net to the Treasury in 1936 against $145,000,000 collected and kept by the Treasury in 1926, less about $6,000,000 returned as draw-backs on foreign raw sugar processed at our seaboard and then exported.

In answering the reasons given for the legislation proposed, it seems to me that I have commented sufficiently upon the bill in general.

The quarrels that have delayed action for nearly 5 months since the first bill was introduced in the House, have been quarrels between the profiteers themselves as to the division of the loot with never a thought or care for the engaging principles stated in the title which principles cover the fundamentals of the whole proposition.

Secretary Wallace was right when he said to you when you first considered the establishment of quotas if those who first put a tariff on sugar had known the consequences they would never have done it. Sugar is a black or brown man's crop, wholly unsuited to our climate and standards of labor and living.

Providence has put the best sugar area in the world, Cuba, just off our shore. It is essentially a part of our continent, with only a narrow waterway between, traversed by car ferries. A car loaded in either country is delivered at any railroad station in the other country with no more trouble or delay than by the car ferries across Lake Michigan or from Oakland to San Francisco. We can no more lose the freedom of the narrow waterway to Cuba than we can lose New Orleans or Charleston.

A question by Senator Vandenberg today indicates that he thinks that sugar should be grown in the States to prevent extortionate prices from abroad. In proof he cites the price of 20 to 22 cents per pound from Cuba in wartimes. That price was due solely to the fact that President Wilson was so ingrossed in war problems that he didn't stop to sign contract with Cuba that would have continued the former prices which were on a level with our wartime prices on our staple crops. For a very few days while the contract was waiting for the President's signature speculators intervened and doubled the price for so few days as to hurt us only through our fears. So little was bought in those few days that the subject is to be dismissed as a mere incident.

Senator Vandenberg also says that the price of sugar in the States is as low as in any great country except Britain. Continental countries are subsidizing sugar for the same reason as shipbuilding and munitions of war and all because they fear the coming of war almost any day. They can be sure of sugar only if they produce it. Why compare us with them?

Great Britain has the same fear of war and for that reason only is subsidizing home production to the extent of $16,000,000 per year in 1933, 1934, and 1935 against our subsidies of $410,000,000 per year. Britain is honest and knows how. Against these subsidies Britain collected in excise taxes on home-grown sugar in the year 1934–35 $11,776,000, and in 1935–36 $10,406,000, leaving her

net subsidies above collections from home growers less than $6,000,000 per year. Think of our sugar growers paying sugar taxes.

Britain's net revenue from taxes on sugar were over $53,000,000 in 1934–35, and $50,000,000 in 1935–36. Britain's net revenue from sugar in these 2 years would have averaged $166,000,000 if her population had equaled ours. The total would have been 10 times greater than the net revenues to our Treasury in 1936 after paying benefits to growers.

In addition British consumers got their sugar for 1 cent per pound less than our consumers did. This saving applied to our population would have been well above $100,000,000. Had we used British methods our consumers would have saved from 250 to 300 million dollars in retail prices plus revenue to the Government. We know better; Britain does better.

Furthermore, as a rule Britain buys nothing abroad except as she pays for it with what, to her, are the surplus products of her people. In this way she has come to be busier than ever with a minimum of unemployment and great prosperity, and no increase of consequence in the national debt in the years when we have increased our debt from 16 billion to 40 billion dollars with no stoppage in the increase, and our general problems unsolved.

In closing may I call attention to my statement of March 22 last to the subcommittee on sugar of the House. It is fully documented and covers almost every phase of our sugar problem.

I regret to say that I was not allowed to correct the proofs even in the mispelling of my name. Consequently there are many minor errors which may cause some criticism but do not affect the essential facts presented. The statement covers many sugar problems never before analyzed as far as I know.

As respects the boasted increase in our exports to Hawaii, Puerto Rico, and the Philippines, it shows from Federal statistics that when we set against the purchases from us of these islands, our sugar subsidies to them, they got their total purchases for 25 cents on the dollar, and for 4 cents on the dollar after adding to their sugar subsidies their other gains from the free entry of other merchandise sent us.

Is this the kind of over-seas trade that we want?

I leave with the clerk of your committee reprints of the statement last referred to and corrected against the wishes of the several members of the subcommittee. Then Congressman Biermann of Iowa insisted that I be given the usual courtesy of correction of a verbal statement made so rapidly that either the stenographer was mistaken in his notes or I mistaken in repeating from memory some of the figures in the tables, or both.

The record of sugar culture in continental United States with the ever-increasing subsidies heaped upon consumers and the ever-increasing evidence of the impossibility of sugar growing in the States at anything like a reasonable cost, reminds me of the intense desire of the great majority of businessmen, citizens, the tariff rates, and subsidies be made to accord with their ideals of justice and fair play as, in substance, expressed by the accepted rule of measurement, the difference in cost of production here and abroad, with the elimination from consideration of such domestic costs as are manifestly unjustified because of the inefficiency of certain producers or of natural conditions beyond control, as in the case of sugar.

Business and agriculture strove for this with all their might through their organizations, beginning with a few in 1906 and ending with organizations throughout the country with a representation of 80,000 businessmen representing more than 80 industries, distributors generally, and the National Grange, then the only national organization of farmers.

They ceased their efforts only upon securing under President Wilson in about 1917 a tariff commission which for 5 years met their expectations.

The present sugar situation shows how utterly all these endeavors came to naught. It makes one wonder whether a government can or should endure under the domination of scores or hundreds of pressure groups who, through legislation, take from the savings of rich and poor alike some 12 to 15 billion dollars annually,[1] being a greater sum than the total taxes paid to Federal, State, municipal, and local governments, the total taxes under which we groan, according to the report of the United States Treasury in 1932, being the latest available information.

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[1] See my statement, Senate Committee on Interstate Commerce bill, S. 4055, June 14, 1936.

In 1935, to get a domestic sugar crop worth 34.5 million dollars, international value, raw basis, we paid domestic growers that 34.5 million dollars, and in addition 410 million dollars in subsidies to home and overseas producers. The figures for 1936 are virtually the same.

We paid the mills that processed this little domestic crop a full price for the processing and 47.5 million dollars besides in subsidies. At first sight it seems that consumers paid these inland mills the going price for processing at the seaboard of two-thirds of our consumption, and allowed them to add another 47.5 million dollars for processing only 34.5 million dollars worth of sugar, international basis. They did more than this—a fact almost never mentioned. The interior mills charged in addition to all this on the basis that their sugar was grown in Cuba instead of on farms around the mills and had paid freight from Cuba to the mills. Here is a direct subsidy of nearly 270 percent on the international value of the domestic crop, raw basis.

The following table shows where the money went:

Distribution of income, continental crop 1936, raw basis

[In millions of dollars]

Beet growers:	
International value of crop	27.9
Subsidies	26.1
Total received by beet growers, gross	[1] 55.0
Total net receipts only 38.5, see text.)	
Cane growers:	
International value of crop	8.7
Subsidies	9.3
Total received by cane growers	18.0
Total received by all growers	73.0
Subsidies to mills, raw basis:	
Beet mills	47.5
Cane mills	13.5
Total subsidies to mills	61.0
Total subsidies to mills, raw basis	134.0
Total direct subsidies above	96.4
Pyramiding in sweetened foodstuffs	[2] 7.2
Cost of subsidies to consumers	103.6
International value of continental crop at United States seaports	36.6

Subsidies alone equal a tariff on imports of 280 percent.

As the above table discloses, for each dollar of sugar, raw basis, grown in the States consumers pay that dollar, international value, plus $2.80 to get it grown in the States to nobody's real advantage except the mills, that through contracts with the growers, get $61,000,000 of the subsidies that the public think that the grower gets and keeps for himself.

This $61,000,000 is the kind of money that "comes easy and goes easy." The kind of money that caused the original sugar-trust organizer, Mr. Have-

[1] It is an exaggeration to say or to imply that, as farmers in the usual sense, beet growers get 55 million dollars for their crop. This, because the weeders and thinners have a lien of about 30 percent on the gross receipts in payment of their special services that do not apply to other crops. This paid, the beet growers have only 38.5 million dollars for all the services common to other crops including fertilizers, use of plant, etc. This is why less than 1 farmer in 100 will raise sugar beets. If beets paid better than other crops, it must be because the subsidies are too great. It cannot be honestly expected that the 100 farmers who do not raise beets, and our total population of 130 million people shall be taxed to make extra profitable the raising of a crop that is not natural to our climate or our social standards. Each weeder's contract requires crawling 4 miles on hands and knees in the dust and dirt and the use of undesirable Mexicans and other like workers with scandalous economic consequences, because Americans will not do this work.

[2] One-fourth of all refined sugar is used in sweetened foodstuffs with successive additions to costs from manufacturers, wholesalers, and retailers. These increases apply to the subsidies the same as to all other elements of cost.

meyer, to say that he contributed liberally to the campaign funds of both parties.

Incidental to this 103.6 million dollars of graft, usually called subsidies to domestic growers and their processors, add 52.4 million dollars that went to Hawaii plus 44.6 million dollars to Puerto Rico plus 52 million dollars to the Philippines, plus pyramiding in foodstuffs and we have a total of $410,000,000, with any part of this that is necessary used to control public opinion through advertisements, magazine articles, and so forth, and to make Congress continue these subsidies.

This brings us to the first of several definitions of the word "steal" in the greatest dictionary of our language, The New English—"a corrupt or fraudulent transaction in politics"—$400,000,000 to get, to keep, and to spend to assure its continuance.

No wonder that the greatest protectionists in our history have cursed the sugar tariff and wished to be free of it; McKinley, Joe Cannon, and Senator Aldrich, who said of it, "this infamous, unjustifiable, indefensible sugar levy", that has such a grip on our present Congress as never before; with the excess above the subsidies under President Hoover so great that the mere excess would buy all the sugar, raw basis, that we require in 11 months—almost our total requirements for a year.

Businessmen, farmers, and all other citizens, excepting only the grafters themselves, hate this graft that is common in many industries besides sugar.

The following table shows, in part, why we can't produce sugar commercially in the United States. It makes the nonirrigated beet States seem ridiculous; Michigan, Ohio, and 11 other States listed together as "all others" because their production is so inconsequential. They have neither a reasonable beet tonnage per acre nor sugar tonnage per acre. It is the sugar that counts, with Michigan, Ohio and the "all others" getting less than a ton of sugar per acre, and less than half what the irrigated States got in 1935 and only a little better in their lucky year, 1936. This reminds us that the Bible phrase, "The tree planted by the water-brook", which rightly translated would read, "the tree planted by the irrigation ditch." Sugar requires ample water in the growing season and a long dry spell for ripening. The water must be controlled in the States while in Cuba for instance natural conditions are perfect.

Continental sugar areas—Yields per acre

	Beets per acre		Sugar per acre harvested	
	1936	1935	1936	1935
Michigan	8.8	6.0	1.27	0.94
Ohio	9.2	7.0	1.07	.70
All others [1]	8.2	7.5	.99	.94
Colorado [2]	13.1	13.0	2.09	2.28
California	14.2	12.4	2.39	2.21
Utah [2]	13.0	12.3	2.08	1.98
	Cane per acre			
Louisiana			1.70	1.43
Florida			3.00	3.00
Cuba, 3-year average	17.7		[3] 2.2	

[1] All others; being 10 States whose production is so inconsequential that they are not listed separately by the Department of Agriculture. They are analyzed in the following table.

[2] Colorado and Utah are typical of the Mountain States, including Nebraska whose crop is grown just over the Colorado border and under the same conditions. All these States are irrigated with abundant water when they need it and little or none in the hot summer days when the sugar is developed in the ripening beets under a hot, dry sun.

[3] This 2.2 tons per acre was for years before new seed and methods increased the yield. The larger present output has not been calculated.

The dependence upon weather conditions in Michigan, Ohio, and the 10 other nonirrigated States listed as "all others" is strikingly shown in the difference in yield of sugar per acre between 1936 and 1935.

The people of these States paid sugar subsidies in each of these years, $77,600,000 against their total sugar crop of $1,954,000, international value at our seaports and their factories took care that they paid in addition a fictitious freight charge from the seaboard.

Is it not because the people of these States are kept in ignorance of these and other facts that the Congressmen from their sugar areas yield to the pressure of the growers and more especially the mill owners in shouting for the sugar subsidies and making the Nation believe that those subsidies are vital to the well-being of their States? This, when their sugar growers could raise other crops to as good advantage as is indicated by the fact that only 1 acre, on the average, in each 1,000 acres of crop land harvested in these States is in sugar.

I submit that we have no right, by general taxation, to make an unnecessary, uneconomical, and petty industry profitable. At most, we can only equalize its cost of production under efficient conditions with foreign costs. Yet the Secretary of Agriculture in his public statement of March 15, 1937, makes the maintenance of prices the principal purpose of the sugar quotas. Indeed, the law so requires. Sugar culture in the States is to be possible at whatever cost to the people, at least up to the present subsidies of $410,000,000.

The colored man in the woodpile is disclosed in the $59,000,000 of subsidies pocketed by the sugar mills. For this huge subsidy or graft the mills did nothing except to stand idle all but 60 to 70 days during the year. For the work they did in these few days they got additional and ample pay; yet at the end of the year they had nothing to show for their mill operations and had lost a large part of the subsidy.

This subsidy per annum exceeds 87 percent of the total used capacity of all the mills, beet and cane, in the States. The annual subsidy of the last 2 years pays the mills the total book value of their plant on the basis of capacity used. This money goes directly into their pockets.

Is there anywhere such another abuse of the taxing power? It is to get this subsidy that the millmen finance the sugar propaganda which almost never refers to the mills and creates a mock sympathy for farmers who do not need it. Nor do the farmers as such get for themselves for laboring throughout the farm year the one-half of the subsidy that they are said to get. Their $59,000,000 gross in subsidies are subject to a special labor lien of beet weeders that applies to no other crop, being about 30 percent of the gross receipts and leaving them for the operations usual in farming only $56,500,000 in subsidies for themselves against $73,000,000 for the mills.

Worst of all is the situation in Louisiana and Florida in cane production. On their 1936 crops worth only $8,740,000 international value, raw basis, they got subsidies of $23,000,000—a bonus of $23,000,000 for growing $8,740,000, and they got the $8,740,000 besides.

And these are the people whom Secretary Ickes charges with being responsible for the present proposals. For 40 years they have led in the corruption of Congress, jointly with the beet processors.

ARE 11 STATES BETRAYED IN SUGAR SUBSIDIES?

I am sory to submit a table that seems so complex at first glance. But in it is the story of the betrayal of 11 States, many of them great, and all of them deserving of fair treatment—their betrayal by politicians and profiteers who won't tell them the truth, what they get and what they lose from the sugar tariff.

For their collective benefit, if it is a benefit, the sugar subsidies cause relatively a very few of their farmers to get from less than 1 acre in each of 1,000 tilled acres enough sugar to bring them $2,442,000 after they have paid the weeders' labor liens. Against this they pay sugar subsidies of $77,600,000. Of this the farmers pay $20,000,000. All this to get a crop that could be bought at our seaboards from abroad (column 6) for $1,934,000.

From this table can be read the story of each State in particular, even as I tell the story of Iowa and Wisconsin, following this table.

As the agents and Representatives of these States bring most of the open pressure upon Congress to continue this situation, it is in the power of these States to correct the whole situation.

Sugar production in nonirrigated States, mostly east of the Rockies—Analysis of "all others" in table above

REDUCTIONS IN CROPS IN RECENT YEARS

(1) States	(2) Year	(3) Percent of all cropland harvested	(4) Received by grower (a) Gross	(4) Received by grower (b) After paying special labor liens	(5) Yield per acre, tons	(6) International value	(7) Cost of sugar taxes basis (subsidies of 1935 and 1936 and census 1930) (a) To States	(7) Cost of sugar taxes basis (subsidies of 1935 and 1936 and census 1930) (b) To farmers
Illinois	1934	(1)	$41,000	$29,000	6	$21,000	$24,600,000	$3,200,000
Indiana	1934	0.1	235,000	164,000	8	124,000	10,500,000	2,600,000
Iowa	1934	(1)	272,000	191,000	7	156,000	8,000,000	3,100,000
Kansas [1]	1934	.1	278,000	195,000	6	161,000	6,000,000	2,300,000
Minnesota	1934	.2	945,000	662,000	6	554,000	8,300,000	2,900,000
North Dakota	1934	.1	393,000	275,000	6	221,000	2,100,000	1,300,000
South Dakota [1]	1934	.2	436,000	305,000	8	225,000	2,200,000	1,300,000
New Mexico	1934	(1)	4,000	3,000	4	3,000	1,400,000	400,000
Washington	1934	(1)	101,000	71,000	5	57,000	5,000,000	1,000,000
Wisconsin	1934	.2	781,000	547,000	9	432,000	9,500,000	2,800,000
Total	1934		3,486,000	2,442,000		1,954,000	77,600,000	20,900,000
Kansas	1933		717,000	502,000				
Do	1934	0.1	278,000	195,000	6		[2] 6,000,000	[2] 2,300,000
Do	1935	.0004	261,000	182,000	6	161,000		
Do	1936	.0004	329,000	230,000	9	161,000		
Wisconsin	1934	.2	781,000	547,000	9			
Do	1935	.002	281,000	197,000	6	161,000	[2] 9,500,000	[2] 2,850,000
Do	1936	.001	339,000	237,000	9	165,000		

[1] Kansas and South Dakota are helped by irrigation which, however, is so inadequate as to give them only about the same yield per acre as the other States in the table. Kansas uses wells. South Dakota shares the water from a dam that is too small for generous use.

[2] Per year.

IOWA AND THE SUGAR SUBSIDIES

A typical eastern sugar-growing State, her profit and loss

The departments of agriculture in Kansas and Wisconsin publish each year their statistics on sugar production the same as on all other crops, but Iowa and seven other States, all east of the Rockies, except New Mexico and Washington, will not divulge this information because they get it from their sugar mills and are pledged to secrecy.

Consequently the latest information on the volume of production in Iowa is that of the census of 1934.

Assuming therefore, that Iowa's production in 1935 and 1936 was the same as in 1934 (it was not much different), Iowa's sugar-beet growers got for their crop in 1935 and again in 1936 $272,000. Of this sum, they paid 30 percent to contract labor, Mexicans in most sugar areas, for crawling on their knees in thinning, weeding, etc., and for other work that Americans will not do. Each contract requires 4 miles of this crawling in the dirt.

After paying this contract-labor lien the growers had left $191,000 for the use of the plant, for fertilizers, and all ordinary farm operations common to other crops.

Against this farm income of $191,000 the people of Iowa pay sugar subsidies of $8,000,000 per annum, of which sum Iowa farmers pay $3,100,000. This when all the sugar grown in Iowa could have been bought, raw basis, at our seaports for $161,000.

The 11 States that are bunched together as "all others" in Federal statistics, because they are so inconsequential as sugar producers, paid in 1935 and again in 1936 a total of $77,600,000 in sugar subsidies, of which their farmers paid $21,000,000 in order to get grown in their States sugar that they could have bought at the seaports for less than $2,000,000, and they paid the $2,000,000 besides.

By what rights are facts like these kept from the people of Iowa?

The Federal Department of Agriculture finds beyond dispute that 954,000 acres of our plowed land would be used by Cuba alone for our foodstuff if we would take from her the amount of sugar that we took in 1928 when she used these additional acres because she could pay for them with sugar.

The Department also says that each acre in sugar replaces 3 acres in corn or cotton or 6 acres in wheat which could be exported if we would take sugar in exchange instead of growing it in the States. Instead, we let now and for 50 years past as wicked a lobby as we have ever known, force upon us ever-increasing sugar subsidies totaling from 1897 to 1937 8.2 billion dollars, of which American farmers have paid 2.1 billion dollars, and a third greater now than under President Hoover who wanted free sugar, declaring that sugar like coffee and rubber cannot be grown in the United States. Every informed and honest protectionist must hate this sugar graft masquerading as protection.

The sugar quotas limit production to our requirements. This may seem fair but it puts us virtually upon a scarcity basis so that the producers in all the large-quota areas, by mutual agreement, added $170,000,000 to the tariff and the benefits specified under the Agricultural Adjustment Administration. Then when the Agricultural Adjustment Administration benefits of 50 cents per 100 pounds were replaced by soil conservation, 12½ cents, the growers privately added the difference to their prices to a total of $218,000,000 privately added.

Farmers generally hate this tax. In the States here considered, only 1 acre in each 1,000 acres of harvested crop land is in sugar. In these States the tail wags the dog and the dog, the great State of Iowa, loses $21,000,000 per year. Will not an aroused public sentiment stop this?

The table tells the same story for each other State that grows sugar east of the Rocky Mountains, excepting Nebraska whose sugar is grown along the Colorado border under the same conditions as in the Mountain States.

Wisconsin, for instance, has turned away from sugar in large measure because other crops pay better. In the good year 1936 she raised only half the crop of 1933. In 1936 only one Wisconsin farmer in each thousand grew sugar beets. After paying the weeders' labor liens her farmers had left for all ordinary farm processes, for fertilizers, and use of the plant $237,000. This for a crop that could have been bought at our seaboards from abroad for $165,000. Was it for this that she was taxed $9,500,000 in 1935 and again in 1936, with her farmers paying $2,850,000 per year of this tax. Does Wisconsin like it?

Was it to get $21,000 of sugar grown in her State, international value, raw basis that Illinois was taxed $24,600,000? Or Indiana taxed $10,500,000 for a crop worth $124,000 international value. Or Michigan taxed $16,141,000 for her crop of $2,197,000 international value. Or Ohio taxed $22,156,000 for her crop worth $1,200,000 international value.

Indeed can any reason be found in the story of any sugar-growing State for taxing the Nation $410,000,000 annually upon its sugar consumption. For answer see the following table in which the States listed in the next previous tables are included as "all others."

TABLE 4.—*The sugar monopoly—profit and loss to sugar-growing States, 1935 crop; substantially the same in 1936*

[In thousands of dollars]

Sugar-producing States	Received by growers (1)		Value of crop, international basis United States seaports [1]	Cost of monopoly to consumers, above world price [2]		Percentage of tillable land in beets (1930)
	(a) Gross, cash	(b) After paying special contract labor	(2)	To State (3)	To farmers (4)	(5)
Nebraska	$4,230	$2,961	$1,892	$4,593	$1,952	0.29
Colorado	12,537	8,766	5,607	3,453	943	2.67
Utah	3,526	2,468	1,577	1,693	386	3.27
Idaho	3,871	2,710	1,731	1,483	629	.84
Montana	3,961	2,773	1,771	1,792	682	.75
Wyoming	3,657	2,560	1,636	752	244	
Total Mountain States	31,782	22,248	14,214	13,766	4,836	1.04
California	10,026	7,000	4,484	18,924	2,068	1.07
Michigan	4,913	3,460	2,197	16,141	2,608	.27
Ohio	2,684	1,878	1,200	22,156	3,377	.0017
All others [3]	5,686	3,980	2,543	51,165	16,565	----------
Total east of Missouri River	13,283	9,319	5,940	89,462	22,550	----------
Total beets	55,091	38,567	24,638	122,152	29,454	.08
Louisiana cane	16,616	16,616	6,760	7,005	2,769	.36
Total	71,700	[4] 55,183	[5] 31,400	129,200	32,200	----------

[1] Column 2 is at the world price delivered at Atlantic and Gulf ports, raw basis, $1 per hundredweight. Instead of this price, the monopoly control set up by the President by authority of Congress, added to this dollar 90 cents tariff on imports whether the sugar had paid a duty or not; also, 50 cents per hundredweight processing tax; also an arbitrary $1.20. This $1.20 was purely arbitrary and monopolistic. It was informity with all monopoly practices that so restrict production and deliveries as to compel the payment of the price set by the monopoly.

[2] This is the cost to consumers over and above the competitive or world price in column 2.

[3] Iowa, Minnesota, Wisconsin, Kansas, South Dakota, and Washington. Production is so small in these States that it is not shown separately in Federal statistics. Nor, by the way, is Florida mentioned, about whose production of cane for sugar there was much hullabaloo in 1930 and since.

Respectfully submitted.

H. E. MILES.

(Whereupon, at 4:05 p. m., the committee closed its public hearings and adjourned until tomorrow, Aug. 10, 1937, at 4 p. m.)