

# EXTENSION OF SUGAR ACT OF 1937

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## HEARINGS

BEFORE THE

### COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-SIXTH CONGRESS

THIRD SESSION

ON

## H. R. 9654

AN ACT TO EXTEND, FOR AN ADDITIONAL YEAR,  
THE PROVISIONS OF THE SUGAR ACT OF  
1937 AND THE TAXES WITH  
RESPECT TO SUGAR

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OCTOBER 2 AND 3, 1940

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REVISED

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# EXTENSION OF SUGAR ACT OF 1937

WEDNESDAY, OCTOBER 2, 1940

UNITED STATES SENATE,  
FINANCE COMMITTEE,  
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 text of H. R. 9654, extending the Sugar Act of 1937, is as follows:

[H. R. 9654, 76th Cong., 3d Sess.]

AN ACT To extend, for an additional year, the provisions of the Sugar Act of 1937 and taxes with respect to sugar

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 513 of the Sugar Act of 1937 (relating to termination of powers of the Secretary of Agriculture under the Sugar Act) is amended to read as follows:*

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

Sec. 2. Section 3508 of the Internal Revenue Code (relating to termination of taxes under the Sugar Act) is amended to read as follows:

"SEC. 3508. TERMINATION OF TAXES.

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

Sec. 3. Section 503 of the Sugar Act of 1937 (relating to payments to the Commonwealth of the Philippine Islands) is amended by striking out "June 30, 1941" and inserting in lieu thereof "June 30, 1942".

Sec. 4. Subsection (b) of section 207 of the Sugar Act of 1937 (relating to direct-consumption sugar from Puerto Rico) is amended by adding at the end thereof the following new sentence: "This subsection is hereby extended so that not more than one hundred and twenty-six thousand and thirty-three short tons, raw value, of the quota for Puerto Rico for any calendar year may be filled by direct-consumption sugar: *Provided, however,* That the amount of said quota which may be filled by direct-consumption sugar for the calendar year 1940 shall not be less than the quantity of direct-consumption sugar from Puerto Rico actually brought into the continental United States, for consumption therein, after December 31, 1939, and up to and including the date of the enactment of this amendatory sentence."

Sec. 5. Subsection (a) of section 207 of the Sugar Act of 1937 (relating to direct-consumption sugar from Hawaii) is amended by adding at the end thereof the following new sentence: "This subsection is hereby extended so that no 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: *Provided, however,* That the amount of said quota which may be filled by direct-consumption sugar for the calendar year 1940 shall not be less than the quantity of direct-consumption sugar from Hawaii actually brought into the continental United States, for consumption therein, after December 31, 1939, and up to and including the date of the enactment of this amendatory sentence."

Passed the House of Representatives June 20, 1940.

Attest:

SOUTH TRIMBLE, Clerk.

(From 10 a. m. until 11:30 a. m., the committee heard testimony in executive session from Dr. Joshua Bernhardt, Chief of the Sugar Division, Department of Agriculture. Those proceedings were not stenographically reported and do not appear, therefore, in this printed hearing. At 11:30 a. m. the committee ended its executive session and a public hearing, stenographically reported, was then held.)

### STATEMENT OF JOSHUA BERNHARDT, CHIEF, SUGAR DIVISION DEPARTMENT OF AGRICULTURE

Senator KING. Mr. Miles, an old businessman of Wisconsin, appeared before the Committee on Finance, before I was a member and he insisted that we take the tariff off on sugar. We might get it for 1 cent a pound or cheaper, we might get it from Java at 1 cent. He said of course it would destroy the sugar business in the United States, but, he said, it would save the American consumer perhaps \$200,000,000 annually. So the question was whether we should encourage the beet-sugar industry in the United States, or the cane-sugar industry, or whether we should remove the tariff and thus save the consumers \$100,000,000 to \$200,000,000 annually. The question is whether we have committed ourselves to the policy of developing the sugar industry in this country. As far as I am concerned, I am in favor of continuing that policy.

Senator BYRD. Here is what the Secretary of Agriculture said in 1938:

It is estimated that at current prices American consumers are obliged to pay more than \$350,000,000 per annum in excess of the value at world prices of the annual sugar supply, without allowance for the estimated net revenue of approximately \$47,000,000 represented by the difference between disbursements under the Sugar Act of 1937 and receipts from the tariff and the 50-cent tax on the sugar or for the possible increase in world prices that might result from changed conditions. This is equivalent to a tax of approximately \$2.70 per capita on a population of 129,000,000 persons. It means on the average a levy of more than \$10 per family, including that one-third of the Nation which is ill-nourished, and it represents an amount of purchasing power equal to the consumption of 50 quarts of milk and 50 loaves of bread for each family of the United States.

He said that based on what to him were proper and just grounds for making an indictment such as that to the present sugar program in this country.

Mr. BERNHARDT. May I now be permitted to answer your last question, Senator? You asked whether I favored continuation of the sugar program.

Senator BYRD. I asked whether you favored the continuation of these large subsidies.

Mr. BERNHARDT. I would like to answer this question in its relation to the general program and the letter you have referred to. The question at issue is simply this: Shall we take an industry, shall we take communities scattered all over the West and Middle West, from Michigan to California—communities which are primarily dependent upon the processing and the growing of sugar beets, which communities have grown dependent for taxation bases upon the sugar industry—farmers, laborers, and processors; shall we take Puerto Rico, which is almost entirely dependent on sugar for a living, and the Territory of Hawaii, also largely dependent on sugar; the Commonwealth of the Philippines, the Louisiana sugar-producing communities which have

been economically dependent on that industry, and Florida as well—shall we at this time, after having followed a policy of protection, historically wise or unwise, take that industry in all these communities, including the farmers, labor, and the processors, and bankrupt them all?

Mr. CUMMINGS (Congressman from Colorado). May I answer that question?

Mr. BERNHARDT. I have stated the question involved. I take it that at this time in our national history, with the present uncertain status of the world and in this hemisphere and in Latin America, particularly, it is not possible or advisable to take some hundreds of thousands of people in the communities I have mentioned and put them "on a dole."

Senator BYRD. I wonder if I may interrupt you at that point. These subsidies are greater in volume outside of this country than in the country. The average is \$430, yet some corporations get \$500,000 \$600,000, and \$700,000. The average is \$430 out of all the units, as I understand. The doctor has stated every one of these obtained a subsidy.

Mr. BERNHARDT. The difference between a small payment under the Sugar Act, Senator, and a large payment is simply in the amount of the production, which is based on history. All the allotments are based on history. If a planter has had a production history, just like any grower in any farm program, if he has had a history his allotment is based on that history, if it is a large allotment, the payment equals a large allotment times the statutory rate of the benefit payment, which is less than the excise tax borne by the sugar in the case of the largest producers. If a small grower, there is a small acreage and a small production times the rate of payment. It is for the Congress to determine whether it be a good policy to go beyond the 1937 Sugar Act, in penalizing the large grower and amending the scale in section 304 (c), which now provides for a payment of 30 cents per hundred-weight on a production of more than 30,000 tons. As I have already stated, such penalization would represent a discrimination against several sugar producing areas.

Senator BYRD. Does not a large corporation, a large farming corporation have great advantages over a small corporation?

Mr. BERNHARDT. We made a study of that question, Senator, in 1937 when this act was under consideration, at the request of some of the Senators. We took the figures of costs for individual companies and set them side by side with their volume of production, in order to work out an equitable scheme for this very section. We found there was no correlation. Some of the large producers had the highest costs, either because of poor location, or other factors. So it was very difficult to work out a fair plan.

Senator BYRD. You have a certain amount of overhead expense which you have got to have in any operation. Here we have a situation that the average is \$430 a year, and some corporations securing \$500,000, \$600,000, and \$700,000. I contend it is recognized in soil conservation whereby the limit of the payments to these large corporations was reduced from as much as \$250,000 to \$5,000. Is that the limit now?

Mr. BERNHARDT. I think it is.<sup>1</sup>

<sup>1</sup> There is no limit upon the amount which a corporation, an individual, or any other person can receive as a parity payment. The limit for payments under the Soil Conservation and Domestic Allotment Act is \$10,000 in any one year.

Senator BYRD. In some years they got \$250,000 and \$300,000 apiece. I contend that the large corporation—I know it from my personal experience in business—can reduce its overhead expense per ton of production to a much greater degree than a small farmer can do it.

Senator KING. Senator, that depends on many conditions. You mentioned these large corporations. I am very familiar with the situation in Hawaii. My father established one of the first sugar plantations in Hawaii as a Mormon missionary, in order to give work to the people there. The corporation was the church. There were hundreds of them in that corporation. Some had small holdings, some had large holdings. They established a plantation there, and a sugar factory, that lost money. The church put up millions of dollars there year in and year out to keep the plantation going and to furnish employment to hundreds and hundreds of converts in Hawaii, fine people. The cost was too great. It cost them \$5,000,000, \$6,000,000, and \$7,000,000 frequently to get water to irrigate. They just leased to this large plantation which is now the beneficiary, and now they are getting a modicum of return on the investment, and not a very large return either. But they found it impossible, under the conditions there, the conditions in the islands, to operate that plantation separately, and now that plantation, to which they leased it, perhaps will have a larger return. In part it is due to the fact that the plantation which was established there by the church gets some of the benefits, and the benefits go to the hundreds of employees there who otherwise would have nothing today.

Senator BARKLEY. Regardless of whether it is a corporation or not, forget it is a corporation, if I have 100,000 acres on which I produce sugar and you have 100 acres, of course the law applies to all producers alike, except as I grow in size in my acreage proportionately the payment reduces. It is inevitable that I draw, subject to that reduction, more money than you draw, based on the acreage subject to the reduction.

Senator BYRD. You would not draw it if it was not for conservation.

Senator BARKLEY. Congress has provided for different methods in paying for sugar under soil conservation.

Mr. BERNHARDT. The difference, as I said before, consists in the fact that the soil conservation program deals primarily with the export crops, and this deals with a deficit crop which has been protected for years. Whether that policy was wise or not is a question I do not think you want me to comment on at this time. The problem, however, is that there are these communities dependent upon this industry, and even with these large payments the actual protection is no more than it has been heretofore.

Senator BYRD. What percent of payments are made to small growers?

Mr. BERNHARDT. The vast majority of payments, Senator, are made to small producers.

Senator BYRD. There are quite a number that receive \$300,000, \$400,000, and \$500,000.

Mr. BERNHARDT. I believe there is one corporation, Senator, that gets a very large payment.

Senator BYRD. That is the United States Sugar.

Mr. BERNHARDT. There are about three or four in Louisiana that are not listed in that list you have. I think there was a footnote

appended that the payments were held pending the determination of certain labor compliance questions.

Senator BYRD. Yes. The \$60,000 here is not listed.

Mr. BERNHARDT. Well, in California you have rather large beet holdings; not as large as the cane holdings. In California the industry is so organized that it happens to be more economic to deal with large acreages. As you go further east you have smaller acreages.

Senator O'MAHONEY. Dr. Bernhardt, was there any limitation upon the payment in the Jones-Costigan Act?

Mr. BERNHARDT. No, sir. Under the Jones-Costigan Act the Secretary had discretion, and authority to enter into contracts with producers, and the rates of payment to the large corporations or growers were subject to negotiation between the Secretary and these producers, within parity payment limitations of that act.

Senator O'MAHONEY. Is it not a fact that the scale-down was inserted in the act of 1937 for the first time?

Mr. BERNHARDT. Yes, sir; but there were, in effect, "scale-downs" under the Secretary's administration of the Jones-Costigan Act. That is, the rate of payment for one area with large corporations, in one of the contracts, as I recall it, was smaller than it was basically for the producers generally. But the 1937 Sugar Act represented the first attempt of Congress to deal definitively with the problem on a large scale.

Senator O'MAHONEY. The principle which was written into the Sugar Act of 1937 was intended to protect the family-size farm, or the small producer, and to scale down the payments to the large producer. It was a recognition, was it not, of the fact that in continental United States, for the most part, the production of sugar is the operation of the farmer, the individual farmer, whereas in Puerto Rico and in Hawaii, in Florida and Louisiana to a lesser degree, the growing of sugarcane is carried on by large plantations?

Mr. BERNHARDT. Yes, sir.

Senator BYRD. If that was the purpose of it, Senator, it has not operated that way. If the average was \$430 and these other corporations individually received \$200,000, \$300,000, \$500,000, and \$600,000, it seems to be increased.

Mr. BERNHARDT. The rate of payment has not increased, Senator. The figures in your possession show increases in individual payments to producers for the second crop over the payments in the first crop because, as I pointed out previously, the first payments covered a half crop only.

Senator BYRD. Some of these one-family farmers, that the Senator speaks of, they must get only a couple of hundred dollars a year.

Mr. BERNHARDT. There were 107,000 payments made on the 1938 crop; 77,398 were under \$250; 16,175 were between \$250 and \$500; 9,012 between \$500 and \$1,000; 1,877 growers between \$1,000 and \$1,500; 1,578 growers between \$1,500 and \$2,000; 689 growers between \$2,000 and \$3,000; 328 between \$3,000 and \$4,000; 169 between \$4,000 and \$5,000, and there are 575 over \$5,000.

Senator BYRD. How many get more than \$100,000?

Mr. BERNHARDT. You have that information in your list, Senator. There are 5 or 6, are there not?

Senator BROWN. I want to correct one impression that I think was brought out by Senator Byrd in that letter from the Secretary of Agriculture to me. The impression goes out that the United States

consumers are paying something like \$350,000,000 a year to maintain the sugar industry, and you stated that the price of raw sugar would probably be less than a cent, that is the world price. I know you do not intend to leave that impression, but the world price is not effective in many places in the world. The effect on the price is the price that the consumer pays for the sugar.

Mr. BERNHARDT. I think I said that if we did not have a protective scheme of some kind or another the price today would tend to fall to the world price level.

Senator BROWN. That would not be effective on consumers. Consumers pay very much higher prices for sugar throughout the world than they do in the United States. Sugar is almost universally considered a basis for taxation. Would you put into the record, at some convenient point, the price of sugar in Russia, Germany, England, Japan, and Italy, and demonstrate that the price of sugar to the consumers of the United States is probably on the average about as low as it is in any populous country in the world?

Senator KING. As a matter of fact, after the war for some time we were paying in the United States from 15 cents to 26 cents a pound for sugar.

Senator BROWN. Yes.

Senator BYRD. Naturally the war conditions in Europe would increase the price.

Senator BROWN. This is a condition that existed when there were not any war conditions.

Senator BYRD. You mean the prices prior to the war?

Senator BROWN. Yes; I would just as soon have it that way.

Senator CONNALLY. Mr. Chairman, may I ask the doctor a question?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. Has there been any perceptible increase in the domestic production of sugar as the result of this legislation that we have passed?

Mr. BERNHARDT. The production in the last 3 years, in the continental beet and cane areas, has been at a record level.

Senator CONNALLY. What is that?

Mr. BERNHARDT. The production in the last 3 years in the continental beet and cane areas has been at a record level.

Senator CONNALLY. In other words, it has increased then over the 3-year period?

Mr. BERNHARDT. It has increased, under title III of the act which provides for a certain volume of production for each area.

Senator CONNALLY. If, by reason of this legislation, we can substantially increase the production of domestic beet sugar or cane sugar, then there is some justification for this tax and for this contribution to be assessed on the consumers. It seems to me, with other branches of agriculture, with the depressed condition, that we ought to do as much as we can to increase the domestic production of sugar, whether beet, cane, or both. Do you think this act, in the main, is having that effect?

Mr. BERNHARDT. The act has had that effect in the last 3 years, Senator, and I would be glad to give you the figures. From a production level of about 1,300,000 tons the sugar-beet area reached a production of 1,800,000 tons—almost a half-million-ton increase in 3 or 4 years. This year production is lower, but there is a limit beyond which it cannot go, under the present act.

Senator KING. You fixed a quota so it cannot exceed that?

Mr. BERNHARDT. Yes, sir; the act contains quota limitations.

The CHAIRMAN. Doctor, from your relationship with the sugar-beet and sugar-cane growers in the United States, and knowing that this law will expire at the end of this year, is it your opinion that the sugar growers of this country, both cane and beet, are desirous that this law be extended?

Mr. BERNHARDT. Yes, sir.

The CHAIRMAN. As is proposed in this House bill, an extension of 1 year?

Mr. BERNHARDT. Yes, sir. I believe that the vast majority of the sugar-beet and cane growers of the continental United States, as well as the sugar producers in Puerto Rico and Hawaii, the Philippines, and all areas affected by the sugar program, are very much concerned lest there be a failure of the bill to pass. We are receiving telegrams in the Department and communications which indicate that continuously. The greatest fear on the part of the producers is, generally, that with the quotas expiring on the 31st of December, as they now do under the act, the price of sugar would fall to the world price of about 75 cents to a dollar per hundredweight plus the 1½-cent Cuban tariff rate which automatically becomes effective (instead of the rate of 90 cents now in effect under the trade agreement with Cuba), which would mean a price of something like \$2.50 per hundred pounds of raw sugar, duty paid, without the Federal payments provided for in the act today.

Senator BROWN. Right there, Senator Andrews, will you just state those prices which you have?

Senator ANDREWS. I haven't them with me.

Mr. BERNHARDT. They are put out by the Department of Commerce.

Senator BROWN. Mr. Cummings informs me that of the 26 leading countries in the world, 20 pay more for their sugar than we do in the United States, many as high as 15 cents a pound.

Senator CONNALLY. That is largely because of the state monopoly.

Senator BROWN. It is a tax.

Senator CONNALLY. It is a tax; in other words, a source of revenue.

Senator ANDREWS. The average farmer, the average grower of sugarcane, cannot put up a processing plant. It takes many millions of dollars.

On the question of the amount that is due, there would hardly be any difference. The men employed, for instance, by the United States Sugar Co. are farmers. There would not be any difference in those three or four thousand farmers working for a company of that kind, because they could not possibly own a great, expensive processing plant. So the amounts that are paid to the United States Sugar Corporation have got to account for the three or four thousand farmers. In fact, they employ 5,000 heads of families down there.

Senator BYRD. But they own the land.

Senator ANDREWS. They own the land. They went in there and bought from time to time. It costs us, the State of Florida, \$20,000,000 to drain it, getting it ready for this very proposition. Knowing what happened during the World War, Florida tried to prepare the ground for sugar, and it succeeded. Now, there are a lot of growers. They are writing me constantly. Each farmer can grow at least 10

acres of cane, but when he gets through and he cannot sell one-third of it it ruins the rest of it.

Mr. BERNHARDT. There is no statutory limitation, as far as I know, upon the right of any person to produce sugarcane or sugar beets anywhere in the United States, if he does not wish the Federal conditional payment provided for in the act.

Senator ANDREWS. No, sir; he can produce all he pleases.

Mr. BERNHARDT. That is, if he can get a processor to take the cane or beets. The fact of the matter is that the bill passed by the Senate, now under consideration in the House, with the deduction provision, takes care of a good many growers who did follow a policy of producing more than their "proportionate share" acreage.

Senator ANDREWS. There are a number of growers that grow 10 acres and they sell the cane. Is that right?

Mr. BERNHARDT. There are about 25 independent growers, I believe, in Florida; many thousands in other areas.

Senator ANDREWS. That is an expensive proposition, of course, but they sell their cane to some producer. If a person has 100 acres and he wanted to get rid of it, and the amount of allotment for the State down there is exceeded—as is the case, because the people down there planted a lot of cane, they have gotten now 25 or 30 percent more than apparently can be taken care of under this law—so if he wanted to get rid of it he could sell it to a processor.

Mr. BERNHARDT. If the bill that was passed by the Senate recently is enacted, there would be no problem of 1940 acreage in excess of the "proportionate shares." Growers were advised long ago on what basis payments would be made, as is done with all other crops. If there be any excess acreage on the part of some growers, the bill that was approved by the Senate makes it possible for it to be harvested and growers may obtain payments with certain deductions, just as is done for tobacco, rice, and other producers.

As to the processors situation, I do not think there will be any serious problem for the mainland cane-sugar processors in taking the cane and processing it into sugar, since they disposed of 160,000 tons of sugar in excess of the quotas in 1939 and the inventory is below normal.

In other areas, processors have carried reserve stocks for growers. In Puerto Rico, for example, and in the beet area, they have carried a considerable quantity of sugar from year to year. There is no reason why a processor in Florida should not be willing to carry a small amount of sugar for the independent growers into 1941 pending the full consideration of this whole problem by Congress next year.

Senator ANDREWS. Do you think there would be any chance in the future for the continental United States producing all its requirements? As a matter of fact, including the Philippines and Cuba, I believe 44 percent of what we consume in the United States comes from the continental United States, the Philippines, and Cuba.

Mr. BERNHARDT. From Cuba?

Senator ANDREWS. From Cuba and the Philippines.

Mr. BERNHARDT. It is approximately 44 percent.

Senator ANDREWS. In other words, they produce 500,000 tons in the Philippines and Cuba and all the beet growers and all the cane growers in the continental United States, where they spend every dollar that they make. That is all they ask for, 500,000 tons. Is not



there some way that we can do that, because the money that we spend here at home we spend for our own product, and we know that Cuba only spends one-third of what they receive from their sugar in the United States.

Mr. BERNHARDT. Senator, Secretary Wallace and Secretary Hull have been speaking during the last few years on the question of the value of our export trade. If they have not answered that general question for you I do not think I shall be able to do so. While the income realized from sales of Cuban sugar to the United States amounted to approximately \$74,000,000 in 1939, exports to the Republic in that year were valued at \$81,000,000.

Senator BROWN. Mr. Chairman, I have to leave. I want to interrupt for a moment to say that the statistics I desired are on page 21 of the House hearings, and I would like to have them inserted in the record.

Briefly, the prices of sugar in foreign countries of any size are: Italy, 13 cents; Germany, 13 cents; Bulgaria, 12 cents; Netherlands, 11 cents, which I think is the largest producer; France, 7 cents; Canada, 6 cents, and so on, with the United States 5.10 cents as of May 1, 1939, which was before the war broke out in Europe.

Senator BYRD. Is that on the basis of gold currency?

Mr. BERNHARDT. It is converted to a parity base.

The CHAIRMAN. Without objection, the statistical information referred to will be incorporated in the record.

(The list referred to is as follows:)

*Retail price refined sugar on or nearest May 1, 1939*

[Cents per pound]

Yugoslavia.....	15. 62	India.....	6. 01
Italy.....	13. 86	Dominican Republic.....	6. 00
Germany.....	13. 64	Ireland.....	5. 85
Bulgaria.....	12. 49	Japan.....	5. 56
Netherlands.....	11. 19	Sweden.....	5. 47
Hungary.....	9. 60	United Kingdom.....	5. 36
Turkey.....	9. 44	United States.....	5. 10
Portugal.....	8. 49	Argentina.....	4. 75
Finland.....	8. 43	Switzerland.....	4. 74
Norway.....	7. 69	Chile.....	4. 52
France.....	7. 68	Cuba.....	3. 84
Canada.....	6. 30	Netherland Indies.....	3. 38
Union of South Africa.....	6. 27	Brazil.....	2. 95
Australia.....	6. 21	Peru.....	2. 40

Mr. BERNHARDT. May I answer the Senator's last question. I can only give you the facts, Senator. There is a treaty with the Philippines embodied in the Independence Act under which the amount of sugar that may come in, duty free, for a period of years is fixed by law—the Tydings-McDuffy Act. It would require an amendment of that law to change the quota.

Senator KING. You could not get that amendment because it would be a breach of an international agreement.

Senator ANDREWS. I am talking about what may be done in the future. They want their independence in 1946, I understand.

(The following information was submitted by Dr. Bernhardt.)

## EXHIBIT I

## YEAR-END STOCKS OF SUGAR

Questions were raised at the session of the Senate Finance Committee on October 2, 1940, about stocks of sugar carried over from year to year. The attached table shows the December 31 stocks of quota and over-quota sugars for each of the years 1934-39. The expression "over-quota" stocks means sugars held at the end of a year which are part of the following year's quota supply, i. e., sugars which will be charged against the quota for the following year. "Quota" stocks as of December 31, on the other hand, represent sugars which have already been charged against the current or previous year's quota and are, therefore, available to meet requirements, in addition to the quota supply for the subsequent calendar year.

*Dec. 31 stocks (quota and over-quota)*

*Explanatory note.*—The excess year-end quota stocks shown for 1939 were due to increased marketings of sugar following suspension of quotas by Presidential proclamation in 1939 pursuant to sec. 509 of the act. In accordance with the provisions of sec. 201 of the Sugar Act, allowance has been made for these excess stocks in the 1940 estimate of consumers' requirements.

[Short tons, raw value]

	1934	1935	1936	1937	1938	1939 <sup>1</sup>
<b>Cane refineries:</b>						
Raw sugar.....	534,024	255,933	199,685	207,381	288,970	478,705
Less: Over-quota raws.....	332,255	165,417	58,273	42,552	109,553	31,951
Quota raws.....	201,769	90,516	141,412	164,829	179,417	446,754
Refined sugar.....	<sup>2</sup> 320,325	264,634	263,411	376,425	368,229	355,600
Less: Over-quota refined.....	0	99,771	13,659	34,649	47,080	0
Quota refined.....	320,325	164,863	249,752	341,776	311,149	355,600
Beet sugar factories.....	1,134,317	919,928	965,838	1,084,214	1,383,054	1,351,892
Importers of direct-consumption sugar.....	<sup>3</sup> 189,134	143,616	61,545	63,465	82,077	106,273
Less: Over-quota sugar.....	110,107	29,996	4,554	20,228	5,242	3,589
Quota sugar.....	78,967	113,620	56,991	43,237	76,835	102,684
Total stocks.....	2,177,800	1,584,111	1,490,479	1,731,485	2,112,330	2,292,470
Less: Total over-quota stocks.....	<sup>2</sup> 1,576,739	1,215,112	1,042,324	1,181,643	<sup>3</sup> 1,544,929	<sup>3</sup> 1,387,432
Total quota stocks.....	601,061	368,999	448,155	549,842	<sup>4</sup> 567,401	<sup>4</sup> 905,038

<sup>1</sup> Data for 1939 preliminary.

<sup>2</sup> Exact break-up not available as between quota and over-quota stocks.

<sup>3</sup> In addition, importers of raws held 18,450 tons of quota raws in 1938 and 157,817 tons in 1939. See explanatory note at heading of table.

<sup>4</sup> In addition, continental cane mills held 192,954 tons of over-quota stocks in 1938 and 161,241 tons in 1939.

## EXHIBIT II

In answer to questions of several members of the Senate Finance Committee at the session of October 2, 1940, as to the increase in income of producers under the sugar program, the attached tables are submitted showing the facts for nine leading sugar beet producing States, as well as for the beet area as a whole.

UNITED STATES DEPARTMENT OF AGRICULTURE, AGRICULTURAL ADJUSTMENT  
ADMINISTRATION, DIVISION OF INFORMATION

AUGUST 1940.

## THE SUGAR-BEET PROGRAM

Since the sugar programs first went into effect, the acreage planted to sugar beets, the quantity of beets and beet sugar produced, and the income of sugar-beet growers in the United States have increased, while the losses of beet-sugar processors in the years preceding the quota system have been converted into profits. Moreover, child labor in beet fields has been greatly curtailed, wages of beet workers have risen, and our export trade with the countries which supply us with most of our foreign sugar has increased greatly. At the same time the cost of sugar to consumers has been virtually unchanged.

*Acreage and production.*—During the 3 years, 1931 to 1933, inclusive, which immediately preceded sugar quota legislation, there were planted in the United States an average of 869,000 acres to sugar beets, while the quantity of beets and beet sugar produced averaged 9,334,000 and 1,385,000 tons, respectively. The averages for the period 1937-39, the first 3 years covered by the Sugar Act of 1937, were 932,000 acres; 10,391,000 tons of beets; 1,538,000 tons of sugar. It is estimated that about 982,000 acres have been planted to sugar beets in 1940.

*Grower income.*—American beet growers have received virtual parity income on their beets under the sugar programs. During the 3 years 1931, 1932, and 1933, the returns of beet growers per ton of beets averaged \$5.52 compared with \$6.79 in the period 1937-39. Grower returns during the entire quota period, 1934-39, averaged \$6.70.

The averages for the 1937-39 and 1934-39 periods do not include the payments of about 40 cents per ton made to beet growers under the 1936 and 1937 agricultural conservation programs nor the abandonment and deficiency payments. Provision for the conservation payments was made after the Supreme Court decision in the *Hoosac Mills case* which resulted in the invalidation of sugar processing tax and benefit payment features of the sugar legislation then in effect.

Grower income per ton of beets from the last two crops, 1938 and 1939, has been slightly below the average for the quota period. One of the principal reasons for this decline has been the increased size of the crops, a fact which has made it necessary to seek more distant markets for beet sugar with a resultant lowering of producer returns per ton of sugar beets.

*Income distribution between grower and processor.*—The Sugar Act of 1937, in many respects similar to the Jones-Costigan Act of 1934, provides for an excise tax and conditional payment structure which results in a redistribution of sugar income advantageous to the grower. The effect of this tax-payment feature, under the typical beet purchase contract and assuming comparable retail sugar prices, is to increase the grower's income per ton of beets by about \$1 over what it would otherwise be, and to reduce the processor's income by about 75 cents per ton. (The sugar excise tax is 50 cents per 100 pounds, raw value, while conditional payments are at the basic rate of 60 cents per 100 pounds. Smaller rates of payment are provided for the larger producers.)

Payments to beet growers on the 1937 and 1938 crops were, respectively, \$3,360,000 and \$4,235,000 greater than the total amount of taxes collected on the sugar produced from these crops.

*Crop insurance.*—The sugar programs have provided growers with free crop insurance for damage to their crops caused by drought, flood, storm, or other disasters. This insurance has often represented an important part of the growers' income.

*Protection against low world prices.*—The favorable position of beet growers has prevailed during a period when the depressed world price of raw sugar has averaged about 1.20 cents per pound. At the present time the world price of raw cane sugar is below 1 cent per pound, and cane sugar refined in the United States is being offered for export at less than 2 cents per pound. The domestic prices of raw and refined sugar, on the other hand, are 2.70 and 4.35 cents per pound, respectively.

The protection of domestic producers is, of course, further increased by the Federal sugar payments to growers.

*Operation of beet-sugar factories.*—At the same time that sugar legislation has improved and stabilized grower income, the financial position of beet-sugar processors has shown a substantial improvement. Moreover, during the 3-year period preceding the sugar quota system, an average of 75 beet-sugar factories were operating in the United States, while in the 1937-39 period the average number was 85.

*Income of beet-sugar processors*

Year in which fiscal period ended <sup>1</sup>	Net income after all charges	Net income as percent of average net worth	Percent of total beet crop processed by companies included
1929.....	\$6,647,389	4.36	94
1930.....	5,317,000	3.52	93
1931.....	-7,688,580	-5.42	92
1932.....	-5,541,991	-4.19	95
1933.....	2,545,243	1.95	94
1934.....	13,415,168	9.91	99
1935.....	10,945,965	8.38	83
1936.....	15,401,526	11.36	96
1937.....	18,294,530	12.64	97
1938.....	11,699,362	8.30	95
1939 <sup>2</sup> .....	6,904,558	5.22	87
1940 <sup>2</sup> .....	9,928,058	8.00	80

<sup>1</sup> Except for several companies whose fiscal period ended on Dec. 31 of the preceding year.

<sup>2</sup> Preliminary; statements of additional companies still forthcoming.

*Ever-normal granary in sugar.*—Besides the sugar which the domestic beet-sugar industry may market under the area's quota, it is carrying in 1940 a reserve supply of sugar equal, roughly, to about 18 percent of the quota. The carrying of reserve stocks of sugar is in accord with the Sugar Act, as well as with the Federal Government's policy of maintaining an ever-normal granary for various commodities.

Growers and processors, as well as consumers, are protected by an ever-normal granary in sugar. Since the sugar quota system has been in effect there have been years when the beet area, because of lack of reserve supplies, has been unable to fill the quota allotted to it, with the result that the deficit has had to be re-allotted to other areas which had sugar available to meet consumer needs.

*Child labor and beet worker wages.*—The Sugar Act of 1937 requires, among other conditions, that growers who wish to receive Federal payments, pay fair and reasonable wages to beet laborers and not hire child labor. Since this legislation became effective, there has been a substantial reduction in the employment of child labor in domestic sugar-producing areas. Besides the social benefits resulting from the curtailment of child labor, there is also an increase in the work opportunities for adult laborers. Moreover, experienced growers have found that adult workers do better work in the beet fields. At the same time, the wages of beet workers have improved since sugar quota legislation became effective.

*Foreign trade.*—One of the purposes of sugar quota legislation, as stated in the Sugar Act of 1937, is to promote the export trade of the United States. Since the passage of sugar quota legislation in 1934 and since the reciprocal trade agreement with Cuba, our chief source of foreign sugar, the value of our exports to that island has risen very greatly, going from \$24,763,000 in 1933 to virtually \$81,000,000 in 1939. Cuba's purchases of lard alone have increased from 10,908,000 pounds in 1933 to 55,431,000 pounds in 1939.

It is estimated that approximately 1,000,000 acres of farm land were needed to produce the farm products Cuba bought from the United States in 1939.

*Sugar price to consumers.*—While producers' income has been improved since quota legislation was enacted, the price of sugar to American consumers has been virtually unchanged. The average United States retail price of sugar in the years 1931, 1932, and 1933 was 5.4 cents per pound; in the period 1937-39 it was 5.6 cents per pound.

## THE SUGAR-QUOTA SYSTEM

Some growers in the beet area, like many sugar growers in other domestic areas, would like to expand sugar production. But each area wants to continue furnishing at least the present share of our sugar needs, assured it by the sugar quota system. The other domestic areas supplying our market are the mainland cane area (Louisiana and Florida), Puerto Rico, Hawaii, and the Virgin Islands. Then there is the Commonwealth of the Philippines with whom the United States has an agreement embodied in an act of Congress which guarantees the islands the right for a certain period of years to bring about 980,000 tons of sugar into this country free of duty. Furthermore, there are our foreign sources of sugar. Principal among these is Cuba, which, as has been shown, is an important export market for our surplus agricultural and industrial products and in which we also have a vital interest for hemisphere defense reasons. Besides these producing areas, there is the seaboard refinery industry of continental United States which is dependent on imports of raw sugar from Hawaii, Puerto Rico, the Philippines, and Cuba.

*Sugar beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## UNITED STATES

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Process- or pay- ments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	760,000	7,903,000	\$5.94	.....	\$5.94
1932.....	812,000	9,070,000	5.26	.....	5.26
1933.....	1,036,000	11,050,000	5.13	\$0.23	5.86
1934.....	945,000	7,519,000	5.16	1.75	6.91
1935.....	809,000	7,908,000	5.76	1.13	6.89
1936.....	855,000	9,028,000	6.05	.....	6.05
1937.....	816,000	8,784,000	5.27	1.88	7.15
1938.....	990,000	11,615,000	4.65	1.87	6.52
1939 <sup>2</sup> .....	990,000	10,773,000	4.76	1.94	6.70
<b>Simple averages (3-crop periods):</b>					
1931-33.....	869,000	9,334,000	5.44	.08	5.52
1934-36.....	870,000	8,152,000	5.66	.96	6.62
1937-39.....	932,000	10,391,000	4.89	1.90	6.79

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

*United States.*—The increase in planted sugar-beet acreage in 1933 to an all-time record level was largely due to exceptionally low prices of other agricultural crops. If one analyzes the decided year-to-year variation in the number of acres planted to sugar beets, it will be found that there is an almost perfect inverse correlation between the prices of competing crops and the number of acres planted to sugar beets. In other words, when the prices of potatoes, beans, wheat, barley, and other cash crops are high, fewer acres are planted to sugar beets. Cost of production, especially the item of labor, in 1933 was lower than in the immediately preceding years and below that of any year since that time.

Although the sugar-quota system inaugurated in 1934 under the Jones-Costigan Act remained in effect, there were no Government payments to growers on the 1936 crop under that act because of the Supreme Court decision in the *Hoosac Mills case* invalidating the processing tax and benefit-payment program. In this connection it is interesting to note in the table entitled "Income of Sugar Beet Processors," that the returns of the processors were substantially higher on that crop because the tax was not effective.

*Sugar beet acreage, production, and growers' returns crops, 1931-39, with simple averages of 3-crop periods*

## STATE OF CALIFORNIA

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Proces- sor pay- ments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	95,000	1,060,000	\$7.40	-----	\$7.40
1932.....	106,000	1,288,000	6.62	-----	6.62
1933.....	111,000	1,618,000	5.67	\$0.14	5.81
1934.....	113,000	1,617,000	5.22	1.75	6.97
1935.....	122,000	1,443,000	5.81	1.13	6.94
1936.....	144,000	1,975,000	6.48	-----	6.48
1937.....	146,000	1,731,000	5.93	2.07	8.00
1938.....	183,000	2,130,000	4.86	2.00	6.86
1939 <sup>2</sup> .....	171,000	2,099,000	5.00	2.07	7.07
<b>Simple averages (3-crop periods):</b>					
1931-33.....	104,000	1,322,000	6.56	.05	6.61
1934-36.....	126,000	1,678,000	5.84	.96	6.80
1937-39.....	167,000	2,187,000	<sup>2</sup> 5.28	<sup>2</sup> 2.05	<sup>2</sup> 7.31

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

*California.*—It is interesting to note that growers' income per ton has been substantially increased in spite of the tremendous expansion in acreage and production in this State.

*Sugar beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF COLORADO

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Processor payments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	232,000	2,532,000	\$5.44	-----	\$5.44
1932.....	177,000	1,777,000	4.62	-----	4.62
1933.....	219,000	2,628,000	4.62	\$0.26	4.88
1934.....	203,000	1,566,000	5.04	1.75	6.79
1935.....	147,000	1,826,000	5.81	1.13	6.94
1936.....	182,000	2,234,000	5.70	-----	5.70
1937.....	169,000	1,992,000	4.80	1.78	6.58
1938.....	141,000	2,001,000	4.17	1.75	5.92
1939 <sup>2</sup> .....	167,000	1,543,000	4.45	1.93	6.38
<b>Simple averages (3-crop periods):</b>					
1931-33.....	209,000	2,312,000	4.89	.09	4.98
1934-36.....	177,000	1,875,000	5.52	.96	6.48
1937-39.....	159,000	1,845,000	<sup>2</sup> 4.47	1.82	<sup>2</sup> 6.29

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

*Colorado.*—In view of the improved income per ton obtained by Colorado sugar-beet growers, it is obvious that the acreage decline since 1934 may be attributed to causes other than income. Furthermore, there has been no Government acreage limitation in any year except 1939, and in that year the acreage planted in Colorado was somewhat less than the acres allotted. Consequently, the decline in acreage cannot be attributed to Federal acreage restrictions.

A primary cause of the reduction in acreage has been the persistent inadequacy of irrigation water. This shortage first became evident in a pronounced degree in 1934 as indicated by the comparatively low yield of sugar beets per planted acre. In addition to the water problem, there have been years when controversies between processors and organized growers concerning the terms of the beet purchase agreements resulted in a reduction in acreage.

*Sugar-beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF IDAHO

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Processor pay- ments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	38,000	301,000	\$6.03	-----	\$6.03
1932.....	54,000	709,000	5.10	-----	5.10
1933.....	79,000	837,000	5.16	\$0.40	5.56
1934.....	58,000	294,000	4.69	1.75	6.44
1935.....	54,000	562,000	5.26	1.13	6.39
1936.....	54,000	619,000	6.06	-----	6.06
1937.....	53,000	615,000	5.19	1.96	7.15
1938.....	76,000	1,122,000	4.43	1.84	6.27
1939 <sup>2</sup> .....	77,000	985,000	4.30	1.97	6.27
<b>Simple averages (3-crop periods):</b>					
1931-33.....	57,000	616,000	5.43	.13	5.56
1934-36.....	55,000	492,000	5.34	.96	6.30
1937-39.....	69,000	907,000	* 4.64	1.92	* 6.56

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Sources: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

Sugar-beet production in Idaho has followed a somewhat erratic course, particularly in the early thirties, because of damage caused by the disease commonly known as curly-top. With the development of strains of sugar beets resistant to this disease, acreage, yield per acre, and total production have improved.

In addition to the amount paid to growers in 1934 at the rate of \$1.75 per ton on the sugar beets produced, there was disbursed, under the terms of the production adjustment contract with growers, an additional \$670,000 to them because of the exceptionally low yield of sugar beets.

There has been a substantial increase in the return per ton notwithstanding the fact that since 1934 the sugar content has averaged substantially below that of the 1931-33 period.

*Sugar beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF MICHIGAN

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Processor pay- ments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	62,000	581,000	\$6.33	-----	\$6.33
1932.....	129,000	1,215,080	5.73	-----	5.73
1933.....	167,000	1,203,000	5.81	\$0.10	5.91
1934.....	142,000	999,000	5.92	1.75	7.67
1935.....	127,000	686,000	6.29	1.13	7.42
1936.....	109,000	867,000	6.45	-----	6.45
1937.....	86,000	549,000	6.17	1.79	7.96
1938.....	128,000	1,005,000	6.08	1.99	8.07
1939 <sup>2</sup> .....	125,000	1,033,000	5.60	1.82	7.42
<b>Simple averages (3-crop periods):</b>					
1931-33.....	119,000	1,000,000	5.90	.03	5.99
1934-36.....	126,000	851,000	6.22	.96	7.18
1937-39.....	113,000	862,000	<sup>2</sup> 5.95	1.87	7.82

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

The acreage annually devoted to sugar beets in Michigan is exceedingly sensitive to prices of competitive crops as well as to the returns from the preceding beet crop. The decline in acreage between 1934 and 1937 is partly attributable to unfavorable growing seasons with reduced yields, accentuated in 1936 by relatively low returns per ton of beets, since processor payments that year were not supplemented by Federal sugar payments.

*Sugar-beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF MONTANA

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Processor pay- ments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	59,000	617,000	\$6.01	-----	\$6.01
1932.....	58,000	739,000	5.39	-----	5.39
1933.....	71,000	838,000	5.46	\$0.27	5.73
1934.....	69,000	786,000	5.21	1.75	6.96
1935.....	53,000	570,000	6.36	1.13	7.49
1936.....	71,000	654,000	6.30	-----	6.30
1937.....	76,000	852,000	5.27	1.95	7.22
1938.....	81,000	987,000	4.57	1.93	6.50
1939 <sup>2</sup> .....	76,000	894,000	4.65	2.07	6.72
<b>Simple averages (3-crop periods):</b>					
1931-33.....	63,000	731,000	5.62	.09	5.71
1934-36.....	64,000	670,000	5.96	.96	6.92
1937-39.....	78,000	911,000	<sup>2</sup> 4.83	1.98	<sup>2</sup> 6.81

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.



Montana.—The upward trend in acreage may be credited in large part to the substantially improved income position of producers. The 1935 acreage decline in the face of this increased income is almost entirely attributable to a contract controversy between growers and processors.

*Sugar-beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF NEBRASKA

	Planted acreage	Tons of sugar beets produced	Growers' returns per ton of beets		
			Processor pay- ments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	69,000	891,000	\$5.46	-----	\$5.46
1932.....	68,000	877,000	4.58	-----	4.58
1933.....	90,000	1,067,000	4.50	\$0.28	4.78
1934.....	79,000	549,000	4.60	1.75	6.35
1935.....	52,000	625,000	5.91	1.13	7.04
1936.....	75,000	782,000	5.78	-----	5.78
1937.....	65,000	882,000	4.88	1.81	6.69
1938.....	80,000	1,111,000	4.07	1.76	5.83
1939 <sup>2</sup> .....	80,000	790,000	4.35	1.88	6.23
<b>Simple averages (3-crop periods):</b>					
1931-33.....	76,000	945,000	4.85	.09	4.94
1934-36.....	69,000	652,000	5.43	.96	6.39
1937-39.....	75,000	928,000	2 4.43	1.82	2 6.25

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

Although the income of sugar-beet producers has increased substantially during the period in which sugar programs have been operative, the average acreage and production have remained relatively constant. This area, like Colorado, has been somewhat affected by serious shortages of irrigation water and by controversies with the principal processor serving the area.

*Sugar beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF OHIO

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Processor payments	Govern- ment pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931 <sup>2</sup> .....	-----	-----	-----	-----	-----
1932.....	27,000	259,000	\$5.34	-----	\$5.34
1933.....	49,000	328,000	5.71	\$0.03	5.74
1934.....	55,000	312,000	5.52	1.75	7.27
1935.....	52,000	349,000	5.29	1.13	6.42
1936.....	34,000	259,000	6.37	-----	6.37
1937.....	29,000	144,000	6.15	1.68	7.83
1938.....	53,000	396,000	5.84	1.86	7.70
1939 <sup>3</sup> .....	51,000	303,000	5.60	1.81	7.41
<b>Simple averages (3-crop periods):</b>					
1931-33 <sup>4</sup> .....	38,000	294,000	5.52	.02	5.54
1934-36.....	47,000	307,000	5.73	.96	6.69
1937-39.....	44,000	291,000	3 5.86	1.78	3 7.64

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Not available; sufficient factories not operated to meet Department requirements for publication of State data.

<sup>3</sup> Preliminary.

<sup>4</sup> 2-crop average.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

*Ohio.*—The wide fluctuation in acreage has been somewhat characteristic of this State, reduced acreages ordinarily following years in which either or both the per-acre yield and per-ton income are low, with the most pronounced effects when both yield and income are low. The area is also particularly sensitive to prices of alternative crops.

*Sugar beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF UTAH

	Planted acreage	Tons sugar beets pro- duced	Growers' returns per ton of beets		
			Processor payments	Government pay- ments <sup>1</sup>	Total
	(1)	(2)	(3)	(4)	(5)
<b>Crop:</b>					
1931.....	54,000	505,000	\$5.82	-----	\$5.82
1932.....	58,000	846,000	4.77	-----	4.77
1933.....	76,000	912,000	4.80	\$0.36	5.16
1934.....	54,000	250,000	4.40	1.75	6.15
1935.....	44,000	506,000	5.08	1.13	6.21
1936.....	37,000	500,000	5.82	-----	5.82
1937.....	51,000	570,000	4.94	1.84	6.78
1938.....	54,000	814,000	4.43	1.79	6.22
1939 <sup>2</sup> .....	55,000	683,000	4.20	1.90	6.10
<b>Simple averages (3-crop periods):</b>					
1931-33.....	63,000	754,000	5.13	.12	5.25
1934-36.....	45,000	419,000	5.10	.96	6.06
1937-39.....	53,000	689,000	<sup>2</sup> 4.52	1.85	<sup>2</sup> 6.37

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

*Utah.*—Production in Utah has fluctuated greatly, partly as a result of white fly infestations prior to the development of strains of beets resistant to curly-top, partly as the result of water shortages, and partly because of contract controversies with the processing companies. In 1936, for example, a bitter controversy between growers and processors occurred in this area.

In addition to the amount paid to growers in 1934 at the rate of \$1.75 per ton on the sugar beets produced, there was disbursed, under the terms of the production adjustment contract with growers, an additional \$920,000 paid to them because of the exceptionally low yield of sugar beets.

There has been a substantial increase in the return per ton notwithstanding the fact that since 1934 the sugar content has averaged substantially below that of the 1931-33 period.

*Sugar-beet acreage, production, and growers' returns, crops 1931-39, with simple averages of 3-crop periods*

## STATE OF WYOMING

Crop:	Planted acreage	Tons sugar beets produced	Growers' returns per ton of beets		
			Processor payments	Government pay- ments <sup>1</sup>	Total
			(3)	(4)	(5)
	(1)	(2)			
1931.....	52,000	552,000	\$5.71	-----	\$5.71
1932.....	42,000	506,000	4.97	-----	4.97
1933.....	55,000	593,000	5.26	\$0.19	5.45
1934.....	52,000	434,000	4.99	1.75	6.74
1935.....	42,000	525,000	6.18	1.13	7.31
1936.....	53,000	480,000	5.98	-----	5.98
1937.....	49,000	612,000	4.91	1.86	6.77
1938.....	56,000	684,000	4.35	1.89	6.24
1939 <sup>2</sup> .....	55,000	539,000	4.60	2.04	6.64
Simple averages (3-crop periods):					
1931-33.....	50,000	550,000	5.32	.06	5.38
1934-36.....	49,000	482,000	5.72	.96	6.68
1937-39.....	53,000	612,000	4.62	1.93	6.55

<sup>1</sup> Payments for sugar excluding those for acreage abandonment and production deficiency; does not include soil-conservation payments of about \$0.40 in 1936 and 1937.

<sup>2</sup> Preliminary.

Source: Columns (1), (2), and (3) from Agricultural Statistics and Crops and Markets. Columns (4) and (5) from Sugar Division records.

## EXHIBIT III

In response to questions as to the relationship of the estimates of consumers' requirements by the Secretary to the actual quantity of sugar made available to consumers and the distribution or consumption of sugar, the attached table is submitted.

*Sugar marketings or importations 1934-39<sup>1</sup>*

[Short tons, raw value]

Area	1934	1935	1936	1937	1938	1939
Domestic areas:						
Domestic beet sugar.....	1,561,547	1,478,163	1,364,442	1,245,087	1,448,027	1,809,652
Mainland cane sugar.....	268,384	318,970	409,302	490,916	448,961	586,520
Hawaii.....	948,264	926,855	1,032,845	985,031	905,572	966,288
Puerto Rico.....	807,381	793,177	907,238	896,340	815,294	1,125,845
Virgin Islands.....	67,261	2,330	3,696	7,841	3,924	5,560
Total domestic.....	3,560,697	3,519,495	3,717,523	3,625,215	3,621,778	4,493,871
Foreign countries:						
Commonwealth of the Philip- pine Islands.....	1,088,142	916,074	985,416	991,020	981,146	970,583
Cuba.....	1,866,482	1,829,934	2,102,281	2,155,218	1,940,823	1,030,158
Foreign countries other than Cuba.....	29,750	10,977	29,024	89,155	75,114	62,021
Total foreign.....	2,984,374	2,757,585	3,116,721	3,235,393	2,997,083	2,971,762
Total marketing or impor- tations.....	6,575,071	6,277,080	6,834,244	6,860,608	6,618,861	7,465,633
Total quotas as established in regu- lations.....	6,476,000	6,359,261	6,812,687	7,042,733	6,780,566	6,755,386
Total distribution of sugar for con- sumption in United States.....	6,349,090	6,633,928	6,706,113	6,671,402	6,643,253	6,870,491

<sup>1</sup> For 1934-38 the figures represent actual importations or marketings against the quotas; for 1939 the figures represent actual importations or marketings, as quotas were suspended.

<sup>2</sup> Quotas in effect prior to suspension by Presidential proclamation on Sept. 11, 1939.

The CHAIRMAN. We perhaps were negligent in not being able to start this hearing on H. R. 9654 before now, but this committee has had in charge some very important tax legislation on which final action has just been taken. Now, if we are to get this House bill through we must have a little speed. If witnesses appear here, if

they want to talk at length, we cannot possibly get consideration on this resolution because of the program for a recess, or adjournment of the Congress. So you will have no bill at all if that program is participated in.

Now, we did say some weeks ago that we are going to give an opportunity to certain people who were desirous of being heard, and we put it off up to now. I wish you would bear these suggestions and comments in mind.

Now, we will meet this afternoon at 1:30 to hear those witnesses who feel it necessary to express themselves. We have promised to hear some gentlemen from Louisiana and Florida in the morning, so we cannot possibly take a vote on this bill until some time tomorrow, which is necessary if we are to get action in the Senate.

In my opinion, I might say, there is not time here to discuss treaties with Cuba and our agreement with the Philippines and all the other important matters that might be very well discussed, but it would take a good deal of time to follow that course and if we want to pass this resolution we must act promptly. I do not want to pre-terminate the course of the committee, nor my own course, but it seems to me we have got to give pretty serious consideration to the question of whether we wish to add any amendments here, particularly if we are going to get any action in this Congress. The committee will recess until 1:30.

Senator VANDENBERG. Mr. Chairman, on the question of hearings, I want to say this for the record at this point. When the subject was up before, I was the one that urged the hearings, and I think it was at my request that the committee granted them.

The CHAIRMAN. That is correct.

Senator VANDENBERG. That was at a time when there were some 2 or 3 months to explore a great many phases of this matter completely and satisfactorily, but there is no opportunity now to make that exploration. The fundamental necessity at the moment is to pass the continuing resolution so we can have this fundamental protection and then renew our exploration in January. Therefore, so far as I am concerned, I am withdrawing the request for hearings and I think the continuing resolution should be passed without any hearings. The hearings should start in January.

The CHAIRMAN. Senator Andrews asked me about a hearing.

Senator ANDREWS. I think I have one or two witnesses that I would like to have heard.

The CHAIRMAN. Can you have them here in the morning? Are they here in town, Senator?

Senator ANDREWS. I think so. I can get them here probably this afternoon, if they are already here in town.

The CHAIRMAN. If they can be here this afternoon, let us try to hear them.

Senator ANDREWS. I will hurry them along.

#### STATEMENT OF HON. JAMES E. MURRAY, UNITED STATES SENATOR FROM THE STATE OF MONTANA

Senator MURRAY. Mr. Chairman, owing to the delay in setting a date for this hearing, the Western Beet Growers Association is unable to have a representative present, and have asked me to appear before your committee in their behalf.

I have here a comprehensive brief pointing out the urgent necessity for an expansion of our sugar-beet acreage and I ask that it be printed in the hearings at the conclusion of my remarks. This brief has been prepared by the Western Beet Growers Association and submitted to me through the vice president of the association, Mr. E. W. Rising, of Nampa, Idaho. I hope that it will be possible for this committee to give careful attention to this brief because I feel that it presents a complete picture of the sugar-beet situation and a convincing argument for an orderly and gradual expansion of acreage. Inasmuch as this brief covers the situation so completely, I will confine my remarks to a consideration of the high points of the arguments advanced for such expansion. There are included in the brief referred to drafts of proposed amendments to the bill under consideration which will make the measure accomplish the desired purposes.

I cannot urge this committee too strongly to consider the policy of preserving American markets for American farmers. Under our present sugar program, peon labor is being placed in direct competition with our American farmer. The inevitable result of such competition is to bring pressure to lower the American standard of living. Powerful Wall Street financial interests controlling Cuban sugar production are profiting at the expense of our hard-pressed American farmers.

Beyond the fundamental problem of the welfare of our American farmers, there are a variety of reasons for this Congress to enact legislation that will provide an orderly expansion of sugar-beet acreage. Foremost among these is the problem of national defense. The Army and Navy Munitions Board has prepared a list of 37 commodities that it regards as "essential" to the national defense. Only two agricultural products are listed and one of these is sugar. Continental United States is now producing less than 30 percent of the domestic sugar consumption. We are, therefore, dependent upon off-shore production for the bulk of our supply. Hawaii and the Philippines are supplying about 29 percent of the domestic consumption and Cuba and Puerto Rico approximately 40 percent. Any interruption of shipping in the Pacific would have a serious effect on our supply, and, while it is extremely remote that shipping between Cuba and Puerto Rico would be interfered with, there is always the possibility that demands on facilities for water transportation might seriously affect the supply. There is a further possibility that, because of the war in Europe and subsequent demand for Cuban sugar, the island producers might at any time find it more profitable to sell to Europe and thus diminish the supply available to the United States.

For these reasons I urge this committee to give serious consideration to the effect that the pending legislation might have on our national defense. I am sure that no Member of the Senate wishes to see a rise in sugar prices such as was experienced during and following the last World War. It is obvious that we can best prevent such conditions from occurring by developing and encouraging an adequate source of supply to produce sugar if they are not hampered by a restrictive Government policy. It is utterly foolish to restrict Government policy. It is utterly foolish to restrict production of such an essential commodity when to do so operates against our own welfare. I think it is clear that if these restrictions are continued we are likely to reach a time in the immediate future when Congress will regret its shortsighted attitude.

Turning to the economic aspects of the sugar industry, I would like to give emphasis to the fact that sugar is not one of our surplus crops. As a matter of fact, it is in many areas replacing surplus crops and with the proper Government support this process of replacement may with great advantage be extended. In a number of Western States we have created new industries for communities through the production of sugar beets, providing work for the unemployed, and customers for the merchant. More important than this, sugar beets provide a cash crop for our farmers and constitute a great stabilizing influence in the producing areas.

During the last several years the administration has developed a splendid reclamation program. Lands that formerly were devoted to the production of surplus crops are now irrigated and suited for the nonsurplus sugar beet. The only way the farmer can hope to repay the Government for these reclamation projects is through the production of cash crops. The administration will be guilty of fostering conflicting policies if it continues to provide reclamation projects on the one hand and on the other refuses the farmer an opportunity to raise the crop most suited for the reclaimed lands.

The potential production of beet sugar in the United States in recent years is substantially greater than the quota of the industry under the present law. Millions of dollars have been spent by the Government in my State of Montana for new irrigation works as a result of which large additional areas can now be withdrawn from the production of surplus crops such as wheat. Sugar beets constitute about the only crop we can turn to. As the law stands today, no increased quota is made available to permit this change from wheat to nonsurplus crops; and if the pending sugar legislation, which merely extends the act of 1937, is passed without amendment, we will be left in that situation.

Henry A. Wallace, in recent speeches made during his campaign in the Western States, has pointed out the desperate position our wheat farmers may find themselves in following the present war. At Moorhead, Minn., on September 14, he predicted that upon the war's end Central Europe will develop a great wheat-growing urge and that our foreign wheat market outlets may be almost destroyed. What, then, are we going to do to readjust American agriculture? Undoubtedly there will have to be some shift from wheat production. Will it not be absolutely necessary to immediately provide some program of reasonable expansion of sugar-beet acreage? It is the only crop we can turn to. We certainly owe something to our own people and will be able to accomplish more in the solution of the problems of the world if we can keep American agriculture from sliding into a chaotic condition as a result of conditions following the war.

I cannot urge this committee too strongly to give favorable consideration to amendments that will provide an orderly and progressive expansion of the domestic sugar-beet acreage. Reasonable expansion of sugar-beet production is the only basis upon which we can provide a balance for American agriculture. I feel that it is the obvious duty of Congress to start now to gradually remove the limitations and restrictions on sugar-beet production in order to bring stability to agriculture and thus prevent or lessen the dangers that are bound to result to our American economy from the war. The bill extending the act of 1937, with the amendments that I have heretofore mentioned should be enacted now. I hope that this committee will share my

viewpoint. Such a course will be in the best interests of farmers, businessmen, labor, and the consuming public.

Mr. Chairman, the Western Beet Growers Association intends to have someone in this hearing. Not knowing that this hearing was going to be held there is no one representing them. They requested that Mr. E. W. Rising be given an opportunity to be heard, but I do not know whether he will be here, so I will just ask to have his statement inserted in the record.

The CHAIRMAN. That is agreeable.

(The statement of Mr. Rising is as follows:)

STATEMENT OF E. W. RISING, VICE PRESIDENT WESTERN BEET GROWERS ASSOCIATION

Mr. Chairman, I am representing the Western Beet Growers Association, composed of farmers in beet growing areas that desire substantial increases in their acreage allotments, also farmers in areas that are not growing beets because of acreage- or marketing-quota restrictions.

We favor new legislation along the general lines of the 1937 Sugar Act, to replace the act which expires December 31, 1940, but with yearly increases in tonnage allotments to continental growers, and with a provision which will enable new growers and new factory areas to share in allotment of increases in tonnage.

We hold that the American market belongs first, to the American farmer, the American laborer, and the American businessman. We propose to discuss sugar legislation with these principles in mind.

RIGHT OF AMERICAN FARMER TO AMERICAN MARKET

The right of the American farmer to supply the American market to the full extent of his ability is so fundamental that it seems scarcely to need discussion. It has been recognized for generations in our tariff policies, and it has become a doctrine supported by every large farm organization in the United States. Until that right is fully recognized in sugar legislation there will be no permanent settlement of the sugar question.

Continental American farmers are now denied the fundamental right to grow sugar beets and sugarcane, American labor is discriminated against in favor of cheap labor in a foreign land, and American businessmen are prohibited from processing and marketing the products of American soil and American labor.

In order that we may explain our position on this subject, I am placing a table in the record, showing the percentages of sugar supplied from all sources, under provisions of 1937 Sugar Act, to consumers in continental United States.

QUOTA PROVISION SUGAR ACT OF 1937

Under the provisions of the 1937 Sugar Act, the sugar needed to meet the requirements of consumers in the continental United States is to be supplied approximately as follows:

Area:	Percent
Domestic beet sugar.....	23. 19
Mainland cane sugar.....	6. 29
Total continental allotment.....	29. 48
Hawaii.....	14. 04
Puerto Rico.....	11. 94
Virgin Islands.....	. 13
Total American possessions allotment.....	26. 11
Total American allotment.....	55. 59
Commonwealth of Philippines.....	15. 41
Cuba.....	28. 60
Foreign countries other than Cuba.....	. 40
Total foreign countries and Philippines.....	44. 41

There are three main sources of supply for the 6,682,670 short tons of sugar normally required to supply the continental market.

	<i>Tons</i>	
1. { Beet sugar continental growers .....	1, 549, 711	
{ Cane sugar continental growers .....	420, 340	<i>Short tons</i>
	<hr/>	1, 970, 051
2. American possessions .....		1, 744, 845
3. { Philippines .....	1, 029, 799	
{ Cuba .....	1, 911, 244	
{ Foreign, other than Cuba .....	26, 731	
	<hr/>	2, 967, 774
Total normal requirement .....		<hr/> 6, 682, 670

#### LEGISLATION REQUIRED IN INCREASING CONTINENTAL ALLOTMENTS

If the continental growers of sugar beets and cane are to be permitted to produce additional tonnage it follows that one of the other two main sources of supply must be given a smaller allotment.

It will not be our purpose to ask that the allotment for our island possessions be reduced, but we do not hesitate to say that we do feel that the allotment of more than 26 percent of the requirements for the continental market, in addition to guaranty of full home market, is very liberal, and that our possessions should not be given additional tonnage until the needs of the continental farmer are taken care of in a fair manner.

Provision in the Independence Act for Philippines allowing 850,000 long tons, equivalent to 952,000 short tons, duty-free sugar until 1946, brings the discussion at this time to the question of whether we shall continue to look after the interests of Cuba, before we provide for the welfare and markets for the products of our American farmer and American labor.

#### BET SUGAR TONNAGE ALLOTMENTS REQUIRED BY PRESENT GROWERS

	<i>Short tons</i>
Under normal requirements, the beet sugar allotment is .....	1, 549, 711
For the year 1938 the production of beet sugar was .....	1, 803, 000
For the year 1939 the production of beet sugar was .....	1, 750, 000

Figures given indicate that present growers of sugar beets are exceeding a normal quota by approximately 200,000 tons of sugar each year. There is, therefore, no opportunity for new growers or new areas to engage in growing of sugar beets until the domestic quota is materially increased.

Sugar beets are peculiarly adaptable to irrigated land. For more than a third of a century, the Federal Government has encouraged irrigation as a means of developing the arid lands of the West. Since 1902 it has advanced nearly \$700,000,000 for construction of irrigation and related projects under the Federal reclamation policy.

Repayment of a quarter of a billion dollars in these advances is to a large extent dependent on the ability of water users to grow sugar beets and market them under the protection of American law. The future of a score of reclamation projects now in operation is to a large extent dependent on sugar beets. Others under construction will require a cash crop like sugar beets if settlers are to get a proper start and become self-sustaining.

In the light of the facts above mentioned, the Government has a direct responsibility for and interest in the maintenance of a stable agriculture in the irrigated areas of the West.

The Department of Agriculture has recognized sugar beets as a logical cash crop for irrigated lands. Its Farm Security Administration includes sugar beets in crop rotation plans for the irrigation farmers in finances.

I might also state that in selecting a row crop a farmer in irrigated areas is limited to a few items, such as beets, beans, corn, and potatoes, all of which with exception of beets are currently produced in quantities to supply domestic market.



## Statement of increased sugar-beet acreage desired by 10 western reclamation and Great Plains States

(With supporting data)

	Acres
Idaho: Boise and lower Snake River Valleys.....	45, 000
Oregon: Additional acreage for Nyssa factory.....	5, 000
Minnesota-North Dakota: Red River Valley for new factories.....	75, 000
Montana:	
Lower Yellowstone-Sidney-Fairview-Savage.....	2, 000
Sun River-Pondera-Milk River.....	20, 000
Buffalo Rapids-Forsythe-Tongue River-Kinsey.....	14, 300
Broadwater-Townsend.....	12, 000
Southwestern Montana-Missoula-Bitter Root.....	15, 000
Hardin.....	4, 000
North Dakota: Bufford-Trenton and Lewis and Clark project.....	2, 400
Nebraska:	
North Loup-Middle Loup public power and irrigation district.....	12, 000
Central Nebraska public power and irrigation district.....	29, 000
Nevada:	
Humboldt district.....	7, 000
Newlands project.....	10, 000
South Dakota: Belle Fourche.....	3, 500
Washington:	
In present areas.....	10, 000
New areas including Roza.....	10, 000
Wyoming:	
Lovell Big Horn Basin.....	1, 250
Greybull.....	14, 000
<b>Total.....</b>	<b>291, 450</b>

## IDAHO

Southwestern Idaho was one of the early beet sections of the United States, having a sugar factory in 1907. Our section was affected by the blight and finally ceased to grow beets. After the perfection of the new resistant seed a new start was made and in 1937 a factory was located at Nyssa, Oreg., to process beets grown in that section of Oregon, and in southwestern Idaho.

We have over a half million acres of fine irrigated land in southwestern Idaho and along the Snake River in Oregon. We find that our section is well adapted to dairying and stock raising, but we need a good root crop for rotation with alfalfa and grain. Sugar beets have proven to be an ideal rotation crop, having long roots reaching down into the deep soil, and through the intensive cultivation required assisting in eradication of weeds. Our small dairy farmers are ideal customers for the beet pulp from the processing plants.

## OREGON

New factory at Nyssa, built in 1937, has not been allotted sufficient acreage for full operating capacity.

## NEVADA

In April 1940, Senator McCarran stated in a letter to me:

"Nevada some years ago engaged in a prosperous endeavor of beet-sugar culture, even to the extent of establishing a factory at Fallon, Nev. It was, indeed, a profitable pursuit with much promise of increased production. Unfortunately, beet-sugar culture in Nevada was beset with wilt, caused by the white fly sucking juice from the foliage.

"In 1938, the Spreckels Sugar Co. cooperated with the farmers in Pershing County, Nev., in planting several experimental patches using a newly developed alkali tolerant plant particularly adaptable to that climate. Again in 1939 with increased acreage more extensive tests on approximately 1,800 acres were carried on. These tests have conclusively shown that sugar beets of excellent quality can be successfully and profitably grown in Nevada.

"There is another important factor to be considered. By using sugar beets as a rotation crop alfalfa blight has been eliminated in those areas fortunate enough to receive beet-sugar acreage. You can readily appreciate what this means to a livestock State somewhat reliant on alfalfa as a foliage crop. In my judgment, by rotating these two crops, not only would the livestock industry be greatly benefited, but the farmer would be guaranteed a cash-income crop."

#### MINNESOTA-NORTH DAKOTA

The Minnesota-Dakota Sugar Beet Development Association states that the area represented by the association in the valley of the Red River has well over 200,000 acres of cultivated land adaptable to sugar-beet culture.

They have one processing plant at present with a quota of 26,500 acres. The plant manager had on file for the 1940 growing season well over 40,000 acres in applications. Additional farmers in the valley had indicated desire to plant another 60,000 acres making a total demand available for 1941 planting of 100,000 acres.

Gov. John Moses of North Dakota under date of April 8, 1940, addressed a letter to the chairman of the Agricultural Committee of the House of Representatives in which he stated:

"A considerable number of farmers of the more progressive type in the Red River Valley in both North Dakota and Minnesota are actively asserting their interest in the production of sugar beets. They have formed the Minnesota-Dakota Sugar Beet Development Association with a present membership of over 1,200 which is expected to grow to well over 2,000.

"Sugar beets have been grown in North Dakota for many years. For the past several years they have been and are now the most successful crop grown in the Red River Valley, which is far-famed for its fertile soils, and in other parts of the State.

"In addition to the market value of the beets for sugar production, our farmers have an equal and increasing interest in the use of beet byproducts for livestock feeding. The tops, pulp, and crude molasses are valuable auxiliary feeds for lambs and sheep, dairy cattle, and beef cattle especially, and to some extent for other livestock. The use of these byproducts has become increasingly popular and the demand exceeds the supply.

"Our farmers are emphatic adherents to the American principle that the American market belongs to Americans. They are irreconcilable to regulatory restrictions on the production of an important food commodity when over 70 percent of the domestic consumption is being imported.

"Sugar is the only essential agricultural commodity that we do not produce in quantity sufficient to meet normal domestic requirements. Our dependence on offshore supplies is hazardous in the event of war, as was forcefully demonstrated twenty-odd years ago when the price was forced up to 500 percent of normal."

#### MONTANA

The Southeastern Montana Counties Association under date of March 23, 1940, wrote Congressman James F. O'Connor in regard to the need of additional acreage for sugar beets. The following statements are made in the letter referred to:

"Mr. Cummings' bill seems to have quite overlooked areas that have recently been brought under irrigation and, if that is really done, we in the Dust Bowl, or at least on the edge of it, might as well join the "Okies," which, of course, the people of Montana are not inclined to do.

"Nobody is being fooled by the ban being lifted on acreage, because unless the parity price is maintained and the processors given an opportunity to dispose of the refined sugar, they are not going to venture any capital in a new refinery.

"Our soil here is such that it is essential that we have a rotation of crops and there is no crop that does the soil so much good as a root crop. With our open range back of all these potential beet areas that provide the best feed in the world during the summertime, why shouldn't our stockmen be able to bring their stock in and feed it out on these beet fields?

"The beet growers and the stockmen, members of this association, have in the last 2 weeks had seven meetings, and this letter is being written at their specific instruction and direction, and they are in hopes that you will be able to get this picture across to Congress. If you do, they are satisfied that the great drought disaster of 1934 and 1936 and such a calamity as the stockmen experienced in this area will never be experienced again, and a large number of people who are now

on relief will be able to rehabilitate themselves and once again become self-respecting citizens."

From the Broadwater County Beet Growers Association, of Townsend, Mont., under date of March 22, 1940, I have the following:

"During the past 10 years, sugar beets have been satisfactorily grown in all parts of this area, thus providing the adaptability of our soils and the fact that our climate and the altitude permit the satisfactory production of high-quality sugar beets. A new sugar factory located in this valley would, in turn, eliminate high freight rates and increase the agricultural wealth of the community by encouraging the development of livestock feeding, rotation of crops, and assist in building up the fertility of our soils. It should be further pointed out that the entire area is surrounded by range lands producing high-quality feeder livestock, including both sheep and cattle, which are now moving to other areas to be fattened for the market. The Federal Government in building the Broadwater-Missouri project assumed that the production of sugar beets would provide the cash crop return required in order that we might repay the obligation which we owe to the Public Works Administration."

The Sun River & Pondera Beet Growers Association state:

"Sufficient sugar-beet acreage in the counties of Cascade, Teton, and Pondera, in Montana, to support a sugar factory is urgently needed. There are 200,000 acres of irrigated land in these three counties, two-thirds of which are suitable for sugar-beet production. Over 10,000 acres were signed up by the beet-growers' associations in 1938 to be planted in 1939 if a sugar factory were built, and at the present time growers would pledge 20,000 acres for 1941 if a factory were definitely promised.

"The effect of sugar-beet production on crop values of the Federal reclamation projects in Montana is shown by the fact that in 1937 the Huntley projects in Yellowstone County with 25 percent of its acreage in beets had an average crop value of \$43.23 per acre; whereas the Sun River project with less than 1 percent of its cultivated area in sugar beets had an average crop value of \$13.21 per acre.

"To summarize: What we want and very badly need is a new sugar factory situated somewhere in the Cascade-Teton-Pondera area so that at least an additional 15,000 acres of beets can be grown. We have the land, the water, have demonstrated that beets are entirely successful, and only need a factory, which we can get if proper legislation is passed."

The Sidney Water Users Association ask for an allotment of 1,000 acres for growing sugar beets and state:

"It is necessary to grow beets because the entire country toward the Little Missouri River is a range country, and livestock feeding is dependent on sugar-beet industry and the byproducts therefrom for feeding livestock."

Statements showing a demand for sugar-beet acreage have also been filed on behalf of farmers in the Lewistown, Forsyth, and Hardin, Mont., areas.

#### WYOMING

Congressman Horton of Wyoming, under date of April 10, 1940, advised me that the Lovell, Wyo., beet-sugar factory, should have an allotment that would permit the contracting of approximately 1,250 acres of beets in excess of acreage harvested for 1939.

Congressman Horton also stated that with the completion of the Sunshine Dam on the Greybull River, that valley will need an additional acreage allotment for beets. That the soil in this area is identical with the Big Horn Basin.

#### NEBRASKA

Mr. H. C. James, of Arcadia, Nebr., states from his contacts and management: "It is extremely necessary that these two valleys be provided with cash crops, and the ability to grow sugar beets would provide a very desirable cash crop. Thus, we are strenuously supporting the efforts now being made to change the quotas to permit the growing of gradually increasing acreage in the continental United States in the hope that a sugar factory can ultimately be established for the North and Middle Loup Valleys."

From the Central Nebraska Public Power & Irrigation District of Hastings, Nebr. we have the statement that:

"Nebraska is at the crossroads in her agricultural life. The agricultural methods of the past have clearly demonstrated that only through irrigation can a major portion of Nebraska's farms be salvaged from a return to grazing land and the original prairie.

"Nebraska now has just completed extensive irrigation improvements. Federal funds in the amount of over \$50,000,000 have been invested in Nebraska in the past 6 years for multiple-purpose projects whose primary aim is to bring irrigation water to more than 350,000 acres of land. This is in addition to the expenditure of millions of dollars from other public and private sources for the same objective.

"This brings about a paradoxical situation. On one hand we find Federal funds being allotted the State in an attempt to bolster a failing agriculture, and on the other hand the most important irrigation crop, sugar beets, is placed under such stringent Federal regulation that it will absolutely prevent any sugar-beet production in the new areas."

WASHINGTON

Congressman Knute Hill stated in a letter to me dated April 10, 1940:

"As regards the question of expanding the industry in the State of Washington, Commissioner Page, of the Bureau of Reclamation, has written: 'The success of sugar-beet production on the Yakima project warrants further expansion of the area, which could well support a second factory with an initial allotment of 10,000 acres.'

"You may know that the Roza project is nearing completion, and in this connection I believe future plans should include from 10,000 to 15,000 acres for sugar beets in this area. The Reclamation Bureau is studying the subject of crops best suited for the Grand Coulee project."

CUBA AN AMERICAN MARKET

It is argued that the size of the beet-sugar industry in the United States should be limited because an expansion means a loss of the Cuban market for the corn-hog farmer of the Mississippi Valley. If more sugar is grown in the United States, so the argument runs, less will be needed from Cuba, and if Cuba's income from sugar sold the United States is reduced she cannot buy Iowa's pork and lard.

In view of the above argument Congress is expected to see a conflict between the need of maintaining a market for the Middle West and the market needed for the beet-producing States of the Northwest.

In fact, no conflict exists, because the beet-producing States are large importers of Iowa's corn, pork, hams, and bacon. On the other hand Cuba's imports of corn and hog products no longer look impressive.

The following figures are taken from page 87, House hearings, and were originally supplied by the United States Bureau of Foreign and Domestic Commerce:

Cuban imports:	1936	1937
Salt pork.....	\$5, 432, 675	\$506, 131
Hams, cured or smoked.....	1, 041, 625	128, 575
Corned beef.....	55, 757	115
Sausages, canned.....	750, 788	2, 173
Corn.....	2, 390, 172	6, 974

A great deal has been said regarding the large quantity of lard we sell Cuba; however, Senator Thomas of Idaho in his speech before the Senate on July 29, 1940, stated that for 1939 we sold Cuba lard to the value of \$3,976,000, while our purchases of sugar amounted to \$72,772,000.

Statement made by the chairman of Cuban committee, National Foreign Trade Council at House hearings, page 174 of the record, shows that Cuba purchases from the United States, rice, wheat flour, lumber, petroleum, fruits and vegetables, chemicals, iron, steel, paper, textiles, automobiles, machinery, hardware and glass, in moderate quantities. For all of these products the beet-producing States offer a much larger market.

Most recent figures from United States Tariff Commission indicate that we are making purchases from Cuba at the rate of approximately \$110,000,000 per year and selling Cuba about \$77,000,000 annually. Ratio of our sales to purchases being about \$70 to \$100.

While we do not agree that the sugar-allotment question should be settled on the basis of which is the better customer—the low-priced laborer of the Tropics or the farmer of the West—nevertheless there is ample evidence that a decision on such basis would be favorable to the beet-sugar-producing area of the West.

## NATIONAL DEFENSE AND SUGAR

A speaker recently said that in case of war, the United States could depend on Cuba for a permanent and cheap supply of sugar. Perhaps so—but let us refer to the record.

In 1920 Cuba was in a position to name the price of sugar in the United States, and the record shows that the average price for the 12 months of 1920 was \$19.40 per hundred; in May \$25.40; in June \$26.70; in July \$36.50; in December, when sugar from beets was on the market, it dropped to \$10.50, and by December 1921 it was down down to \$6.05.

Do you think we should take a chance in the future?

It seems to me to be entirely logical, that if we are in time of war, likely to become the world's breadbasket, then we are just as likely to become the world's sugar bowl. Sugar is an essential food.

It is also perfectly easy to imagine a time in the future when all the sea power this Nation has or can muster will have to be put into use for defense purposes. Such a situation would eliminate our opportunity to bring sugar from island-producing areas and would leave our people entirely dependent on the sugar that could be produced right here in the continental United States.

When a nation is involved with an enemy in conflict, it is certainly not a time for our Army and Navy, and those who support them, in the field and on the seas, to live or be dependent on, imported food.

You cannot grow beets and produce sugar on a hit-and-miss basis. Time is required to prepare the land and produce a crop and factories must be built and equipped to manufacture sugar. Like any other branch of agriculture, the production of sugar must be on an orderly and systematized basis.

It seems to me that it is obvious that this is the time when we should plan that our agricultural resources of all kinds, particularly essential foodstuffs, be built up to as near our maximum requirements as is possible. Certainly we should not plan to continue to import 70 percent of our sugar.

It takes a lot of food to keep a nation of over 130,000,000 people at full fighting strength and we should not take chances of having our supply of any essential item cut off or with being left dependent on a supply limited to less than 30 percent of our peacetime requirements.

## LABOR IN REFINERIES VERSUS LABOR PRODUCING DOMESTIC SUGAR

It has been pointed out that in American refineries there is employed 18,000 workers at an annual pay roll of \$27,000,000. A splendid pay roll and a phase of the sugar question to be given due consideration. It is the pay roll of the United States for production of 70.25 percent of our sugar, all but the 29.48 percent of domestic beet and mainland cane.

Now let us see what labor there is employed in the United States to produce the 29.48 percent of our sugar. There are over 70,000 growers and 90,000 field workers, and 10,000 factory workers employed in the beet-sugar industry.

Louisiana sugar industry lists those engaged in the cane-sugar industry as 17,000 farmers and 100,000 employees.

Labor in processing plants is paid from \$5 to \$9 per day. Under present Sugar Act the field labor is paid wages as determined by the Secretary of Agriculture. Field labor costs exceeds an average of \$21 for every acre of sugar beets.

In addition to the direct labor mentioned, huge quantities of lime rock, coal, cotton sacks, and equipment are used in the production and transportation of which labor is a large item.

Railroads collect approximately \$35 in freight for every acre of sugar beets, and please keep in mind that 47 percent of gross railroad revenue is expended for pay rolls.

I have seen statements to the effect that refining a ton of raw sugar in the United States costs under \$4 per ton, while processing a ton of beet sugar costs \$10.28.

It is not denied that reduction of imports of raw sugar from Cuba would proportionately reduce the figure of \$27,000,000 in wages for refining; however, it is clear that any reduction will be replaced more than fourfold by the expenditure for labor in growing and processing sugar beets and sugarcane.

It should be noted that more than 70 percent of the income of farmers on irrigated land is expended for manufactured and agricultural products of the Midwest, East, and South. The benefits to American labor, from the home-market irrigated agriculture has created, are attested by the long trains of west-bound freight and streams of trucks carrying eastern products westward.

Every dollar earned in the production of beet sugar is spent in the United States.

#### SUGAR BEETS PRODUCED ON FAMILY-SIZE FARMS

Ninety percent of the sugar beets grown in the United States are produced on family-size farms, with the growers and their families doing part of the work. The average area per grower of sugar beets is less than 14 acres.

In no other sugar producing area serving the American market is the percentage of producers so largely individuals. In every other area corporations largely or entirely control production.

In Cuba 68.1 percent of the production is on corporate farms, in Puerto Rico 77 percent, in Hawaii 100 percent, in Florida 99 percent, and in Louisiana 48 percent.

#### CONSUMERS' INTEREST

A great deal is being said about "protecting the consumer" in every discussion regarding sugar legislation. Government officials are on record as stating, that if tariffs, processing taxes, and benefit payments were eliminated that the consumer would be able to buy sugar at retail for 2 cents per pound less than the current prices. This conclusion is sometimes reached by considering the sum of the tariff on raw sugar entering the United States plus processing taxes, or benefit payments, more often, however, by pointing to the wholesale price of raw sugar in the so-called world market.

Most of the sugar produced in the world is sold in protected markets similar to the market in the continental United States. The world market is simply the market that exists, particularly at London, for sugar that is dumped after the producers have sold nine-tenths of their product in a protected market.

Not to exceed 10 percent of the world sugar production is sold on this dump market. Can it be said that the price for such dumped sugar is by any stretch of the imagination, the "world market price." By using the so-called "world price" for dumped sugar, administration officials have estimated that the American consuming public is paying a \$350,000,000 annual subsidy to the sugar industry.

Let us analyze just what would be necessary if the United States were to be able to secure sugar at this dumped price.

First, we should remember that less than 10 percent of the world's production is dumped on the market—not more than 3,000,000 tons annually. It must be assumed that the market for this 3,000,000 tons will continue to exist, therefore in order to fill the present market and supply the needs of the United States, 6,500,000 tons of additional dumped sugar would have to be secured. There is no evidence to show that growers in any country in the world would engage in producing a large additional quantity of sugar for the so-called "dump price."

Certainly, if the United States had to go into the market and purchase its entire supply it would immediately cause a very abrupt rise in the price of sugar in the "world market." In fact, there is every indication that our consumers would be required to pay more than present retail prices. This is proven by the fact that consumers in the United States buy sugar today at prices lower than prices in effect in any first-class nation in the world.

The average retail prices of sugar which have prevailed in continental United States under the Jones-Costigan Act and the Sugar Act of 1937 have been decidedly low. The annual average prices since 1934, as reported by the Bureau of Labor Statistics, are as follows:

	<i>Cents per pound</i>		<i>Cents per pound</i>
1934.....	5.5	1938.....	5.4
1935.....	5.7	1939.....	5.4
1936.....	5.6		
1937.....	5.3	6-year average.....	5.48

The following table, quoted from Congressional Record of June 20, 1940, and originally obtained from the Bureau of Foreign and Domestic Commerce, show the retail prices of sugar in 38 countries of the world in May 1939 as follows:

Retail price per pound		Retail price per pound—Continued	
	United States cents		United States cents
Exporting countries:		Principally self-supplying countries—Continued.	
Brazil.....	2.95	Netherlands.....	11.19
British Guiana.....	9.75	Rumania.....	10.25
Cuba.....	3.84	Sweden.....	5.47
Dominican Republic.....	6.00	Yugoslavia.....	13.86
Peru.....	2.40	Average price.....	8.24
Hungary.....	9.60		
Australia.....	6.21	Importing countries:	
Philippine Islands.....	3.52	Chile.....	4.52
Netherland Indies.....	3.38	Honduras.....	3.92
Union of South Africa.....	6.27	Uruguay.....	3.58
Average price.....	5.39	China.....	3.70
Principally self-supplying countries:		Finland.....	8.43
Argentina.....	4.75	Ireland.....	5.85
Ecuador.....	2.71	Norway.....	7.69
Guatemala.....	4.00	Portugal.....	8.49
Mexico.....	2.88	Switzerland.....	4.74
Panama.....	7.50	Turkey.....	9.44
India.....	6.01	United Kingdom.....	5.36
Japan.....	5.56	Canada.....	6.30
Bulgaria.....	12.49	United States.....	5.10
France.....	7.68	Average price.....	5.93
Germany.....	13.64		
Italy.....	15.62		

The average retail price of 0.0548 per pound for the last 6 years is lower than prices in 9 out of 12 importing countries, less than in 12 out of 15 self-supplying countries, and much less than average price for all countries.

How can it then be said that our consumers are paying a subsidy or that sugar would be sold at retail for a lower price if our American Beet and Cane Sugar industries are destroyed.

#### SUGAR LEGISLATION REQUIRED

I believe it is generally conceded that the American grower of beets and cane cannot, except in a very limited way, continue without some measure of protection. I believe the statement just made is equally true regarding almost all other products grown or manufactured in the United States. No grower or manufacturer can pay the wages to labor that are in effect in the United States and compete with the cheap breach-cloth labor in the tropics or in Europe.

The tariff in itself has proven defective as the sole means of protecting domestic production because in the event of a tremendous world-over production there can be dumping on the American market.

The Western Beet Growers Association favors sugar legislation continuing the quota system but with provision for increasing the allotment for Continental growers. An increase of at least 300,000 tons for the beet area should be granted for 1941; 200,000 tons of which are needed to offset the present excess production over quota, and 100,000 tons for the benefit of new growers and new areas.

From 1942 until 1946 moderate additional allotments are needed by the beet areas. We are assuming that with the expiration of provision for "duty free" Philippine sugar in 1946, that allotments will again be subject to adjustment.

Bill H. R. 9668 introduced by Congressman Lemke on May 6, 1940, would provide satisfactorily for expansion of the beet-sugar industry, except that the basis for domestic beet for 1941 should be increased to 1,850,000 tons, and proportionate increases for the next 4 years.

H. R. 9668 also contains the following clause which is very desirable for the purpose of granting new growers and new areas the right to participate in the sugar program:

"Provided, however, That in determining the proportionate shares (in terms of acreage) for the progressively increasing tonnage for the domestic beet-sugar area, as provided in section 202 (a) (1), the Secretary of Agriculture shall give first

consideration to newly irrigated or other areas desiring to plant beets so that the establishment of necessary factory capacity for processing purposes where needed may be encouraged, it being the intent of this section to insure consideration for new sugar-beet producers in areas now without adequate processing facilities where beets may be economically produced."

H. R. 9654, passed by the House and now under consideration by the Finance Committee of the Senate, would extend the 1937 Sugar Act for 1 additional year. In connection with the consideration of this bill the Western Beet Growers Association ask that amendments be made granting additional acreage to beet growers. Suggestions for necessary amendments are hereto attached.

#### WESTERN BEET GROWERS' ASSOCIATION

Proposed amendments to H. R. 9654, extending provisions of Sugar Act of 1937 for one year, now pending before the Senate Finance Committee, are attached hereto:

Amendment "A" provides:

1. That in extending the Sugar Act of 1937 the domestic beet sugar area shall be allotted approximately 300,000 tons in addition to the basic quota provided for by existing law. This would increase the beet-sugar allotment for 1941 to approximately 1,850,000 short tons. With the average production for the last 2 years approximating 1,750,000 tons, the proposed amendment would take nothing from existing beet growers but would provide that the 100,000 additional tons or one-third of the increase should be allotted to new growers and especially to newly irrigated and other areas which heretofore have not been able to secure allotments.

2. That the method of adjusting quotas among the other sugar-producing areas, including Cuba, shall be left to the Secretary of Agriculture with the provision that no domestic area shall have its allotment reduced below the average production for the calendar years 1938 and 1939. This would prevent any decrease in the sugar production for the insular possessions, Louisiana or Florida.

Amendment "B":

3. An alternative amendment would provide for a flat increase of 20 percent in the allotments for all domestic sugar-producing areas and a corresponding decrease in the allotment for Cuba.

(The suggested amendment under paragraph 3 is more in line with the previous proposals that all domestic sugar areas should be increased proportionately. A 20 percent increase in domestic allotments will give the beet area about 300,000 additional tons and reduce the Cuban allotment by a total of around 740,000 tons.)

Amendment "C":

4. A suggested amendment provides for reducing the Cuban total.

E. W. RISING, *Vice President.*

Amendment "A" proposed for H. R. 9654, extending the Sugar Act of 1937:

Section 6, subsection (a) of Section 202 of the Sugar Act of 1937 (relating to proration of sugar among domestic sugar-producing areas) is amended by adding at the end thereof the following: "This subsection is hereby extended to provide that not less than 4,115,353 short tons of sugar shall be allotted for proration among domestic sugar-producing areas: *Provided, however,* That of said 4,115,353 short tons not less than 44.95 percent (1,850,000) short tons shall be allotted to domestic beet-sugar areas; and provided further, that it is the intent of this amendment to authorize and direct the Secretary of Agriculture, in determining proportionate shares (in terms of acreage) of the increased tonnage to give preference for at least one-third of the additional tonnage for the domestic beet-sugar area to new growers and to growers in newly-irrigated and other areas, who have heretofore been deprived of opportunity to produce and market sugar beets under the provisions of the Sugar Act of 1937."

NOTE.—This proposed amendment does not undertake to say where reductions shall be made in quotas to permit the increase for the domestic sugar-beet area, but since it can come only from Cuba this proviso may be added: "*And provided further,* That the Secretary of Agriculture is authorized and directed to make such reductions in the allotment to Cuba as will permit the increase in the tonnage allotted to the domestic beet-sugar area."

Amendments "B" and "C" proposed for H. R. 9654 extending the Sugar Act of 1937 for 1 year:

Amendment "B": Section 6, subsection (a) of section 202 of the Sugar Act of 1937 (relating to allotments to domestic sugar-producing areas) is amended by adding at the end thereof the following: "*Provided, however,* That for the calendar



year 1941 the Secretary is authorized and directed to increase the basic allotments for each of the domestic sugar-producing areas by 20 per centum, with the proviso that at least one-third of the increased allotment for the domestic beet-sugar area shall be apportioned among new growers and among growers in newly irrigated or other areas who have heretofore been deprived of opportunity to produce sugar beets under the provisions of the Sugar Act of 1937."

Amendment "C": Section 7, subsection b, of section 202 of the Sugar Act of 1937 (relating to allotments to the Philippine Islands and Cuba) is amended by adding at the end thereof the following sentence: "Provided, however, That for the calendar year 1941, the amount of sugar prorated to Cuba shall not exceed the difference between the amount of sugar determined to be needed to meet the requirements of consumers and the sum of the amount allotted to domestic sugar-producing areas under the provisions of section 6 of this Act and the quota established for the Philippine Islands under the provisions of the Sugar Act of 1937."

#### WHAT EXPANSION OF SUGAR-BEET INDUSTRY MEANS TO WEST AND SOUTH

For the farmer:

1. Permits the production of a crop of which the United States does not produce a surplus.
2. Will preserve for the American farmer a greater share of the American market.
3. Will more than offset any loss of foreign markets for American farm products by increasing purchasing power at home.
4. Will stabilize agricultural conditions in the west, including the livestock industry and provide needed diversification of crops.
5. Will provide cash income for farmers on Federal reclamation projects and assure repayment of the Federal investment in irrigation facilities.

For labor:

6. Will require construction of sugar factories with consequent greater employment of skilled and unskilled labor.
7. Will give increased employment for farm labor and remove many from relief rolls.
8. Will provide opportunity for making a new start in life for many of the 100,000 farm families forced to migrate westward by the drought and other conditions.

For the businessman:

9. Will turn a larger percentage of the American consumer's dollar into channels of American trade.
10. Will more than offset any loss of foreign markets for American products by increasing purchasing power in the West and South.
11. Will provide investment opportunity for millions of dollars of new capital, in sugar factories and equipment.

For the taxpayer:

12. Will bring no charge on the Federal Treasury since the sugar program is more than self-sustaining.

The CHAIRMAN. I wish to incorporate in the record a statement submitted by Hon. Frank O. Horton, member of the House, from the State of Wyoming.

(The statement of Mr. Horton is as follows:)

#### STATEMENT OF FRANK O. HORTON, MEMBER OF CONGRESS, BEFORE THE SENATE FINANCE COMMITTEE, OCTOBER 2, 1940

The prompt enactment of the Cummings bill, plus the Lemke amendments, is a matter of primary importance to the thousands of farmers in Wyoming who depend upon sugar beets for their only cash crop. It is a matter which affects their daily lives, and they have every right to know under what conditions their next crop is to be grown.

From the producer's point of view, the prevailing situation is distinctly unsatisfactory, but it can only be aggravated by the failure of Congress to take immediate action continuing the law. Abandonment of the program at this time would permit the flooding of the American market with almost unlimited quantities of tropical sugar, with further price depressions and inevitable losses for farmers, labor, and management. The bill needs to be passed, and it needs to be passed now. In certain sugar-producing areas planting of another crop will begin within a relatively few weeks, and these producers should not be forced by congressional inaction to stumble blindly into a new crop year.

The pending bill does not constitute permanent legislation. It merely continues for another year the sugar-control program now in force. Since it is admittedly stopgap legislation, some of the conflicting claims which will be presented to this committee might well be deferred until the Congress has an opportunity to act on the one vital phase of the problem upon which there is no difference of opinion—the problem of price. Everyone—even those who have been attempting to administer the Sugar Act—recognizes that the price of sugar is far too low. And the right to produce sugar is meaningless if farmers, and the sugar industry generally, must accept a price which means little more than economic starvation. The necessary relief can be granted without in any way imposing a hardship on the consumers of the United States.

I call the attention of the committee to the fact that in the 6 years ending with 1933—the 6 years before the first sugar-control program was put into effect—the average retail price of sugar in the United States, as reported by the Department of Labor, was 5.9 cents a pound. In the first 3 years of control it averaged 5.6 cents. In 1937, the year in which the Sugar Act was approved, the average price was still 5.6 cents. In 1938 it dropped to 5.3 cents, and in the first 8 months of 1939 it was only slightly more than 5.1 cents a pound. In September of 1939 came the war scare and the price of sugar, like the price of all other commodities rose sharply, so that the price for the year averaged an extremely modest 5.4 cents.

The price advance brought about by the outbreak of war was decidedly short-lived, and the average retail price today is back to 5.2 cents a pound. This is nearly half a cent less than the price prevailing when the first sugar-control program was enacted, and nearly as much under the levels of 1934 when the President, in a message to Congress, said the price was so low that it was prejudicial to virtually everyone concerned. As a matter of fact, if the tax be deducted from the current retail price of 5.2 cents, the net return from the sale of beet sugar becomes less than at any time in the past except for certain months of 1939 and in the depression of 1932. The net returns from the sale of beet sugar is one of the factors which determine the price the farmer receives for beets. Variations of half a cent a pound in sugar prices may sound inconsequential, but it means about 75 cents per ton of beets and may easily be the difference between profit and loss.

For the last 3 years the farmers of Wyoming have complained—and justifiably so—that the price of sugar was being permitted to bog down to levels for which there was no possible excuse. Instead of sympathetic consideration of their problems, these farmers were usually met with criticism from the administrators of the act. They were told their fears were imaginary, that the price would average out over a period of time. Now, 3 years later, the Administration appears ready to admit that the price has not averaged out, and that the situation is a desperate one. It admits that the amounts of sugar made available in the estimates of consumption have been excessive, and that these abnormally large supplies are responsible for the price depression. Now, finally, the Administration is willing to do something about it. Only recently the estimate of consumption for 1940 was reduced by something more than 130,000 tons, but the available supplies were still so excessive that the reduction had only a fleeting effect on price.

In view of these experiences it seems clear that the discretionary powers vested in the Secretary of Agriculture, at least so far as they relate to estimates of consumption, should be more narrowly limited. Some way must be found to prevent a repetition or a continuance of price depressions resulting from overestimates of consumption.

(Whereupon, at 12:15 p. m., the committee recessed until 1:30 p. m. of the same day.)

#### AFTERNOON SESSION

(The hearing was resumed at 1:30 p. m.)

The CHAIRMAN. Is Delegate King in the audience?

#### STATEMENT OF HON. SAMUEL W. KING, DELEGATE FROM HAWAII

Mr. KING. Mr. Chairman, I am here to speak briefly to one phase of the pending bill, and that is the amendment adopted in the House to the continuing resolution introduced by the Representative from Colorado, Mr. Fred Cummings. The bill introduced by Mr. Cum-

mings simply continued the Sugar Act of 1937 in its present form; in other words, with the restrictions on refining expiring as of February 29 this year.

The amendment offered by the gentleman from Massachusetts, Mr. McCormack, was offered in the House Committee on Agriculture and was voted down, but when the continuing resolution was under consideration in the House, the McCormack amendment was adopted, and the bill now in this committee contains that amendment.

The CHAIRMAN. Can you give us what the vote was in the House on the McCormack amendment?

Mr. KING. It was considered in the Committee of the Whole, with about 140 members present. The vote was, as I recollect, about 120 for the McCormack amendment, and less than 20 against it. There was no teller vote. I believe there was a division, but there was no roll call. A good many members were absent. It was just in that period a few days before the Republican Convention in Philadelphia.

I would like to say briefly that prior to 1934, when the sugar industry depended upon a tariff for its protection against foreign competition, there were no restrictions either on production or on processing under the American flag. With the adoption of the quota system as an alternative to the tariff system for the protection of the American sugar industry the eastern refining interests were able to have included or embodied in the Jones-Costigan Act a restriction on refining from Hawaii and Puerto Rico. This is a double quota system on those two communities. This means that in addition to a restriction on production the Territory of Hawaii and the possession of Puerto Rico may process only a very small proportion of their total crop. This was not part of the program recommended by the President, but it was embodied in the act.

In the 1937 Sugar Act, the President expressed his very outspoken opposition to this provision and termed it an effort to perpetuate an industrial monopoly. However, the act was finally passed, but there were a great many statements made in both Houses of Congress and by the President and other administrative officers that the restrictions on refining were wrong in principle, and the act recognized the weight of that argument by providing that these provisions should expire 10 months before the Sugar Act itself did. So the restrictions on refining have expired as of February 29 this year.

The principle involved, Mr. Chairman, is much more important than the material interests. It means that the incorporated Territory of Hawaii, a part of the United States, obeying all of the laws that are applicable to every other part of the United States, has this special restriction placed on its development, on its evolution, from the producer of sugar in the raw form to producing it in the final marketing form. Such a restriction does not apply to any other sugar-producing area under the American flag, except Hawaii and Puerto Rico, and I will say it does apply also to the Philippines.

Any increase in quotas allocated to any State in the Union may be refined wherever the producers want to. Florida refines some sugar and ships some to Savannah. It may, however, erect a refinery tomorrow and refine its entire production of sugar. The same is true of Louisiana. If an increase in production is granted them they may refine it all, if they want to.

The argument is made that we, as a Territory, fell in a different category. I wish to say, Mr. Chairman, if we were contiguous to the mainland Congress would not tolerate this argument for a minute. It happens that we are geographically an insular area and this principle has been allowed to creep into legislation. If we were a portion of Texas such a restriction would not be adopted. Certainly if we were a State it would not be adopted. It was adopted because we are a Territory and because we are physically separated from the mainland of the United States. In the discussion on this legislation, Mr. Chairman, there has crept into our language several phrases that I think are very wrong, very undemocratic, very un-American. We are beginning to make a distinction between the continental United States and offshore areas, between mainland citizens and citizens of Territories or possessions who do not happen to be contiguous to the North American mainland.

Each time that this restriction has been devised it was used as a precedent for repeating it the next time. One of the strongest arguments made on the floor of the House by the gentleman from Massachusetts, Mr. McCormack, was that it had already been perpetrated by the Congress on two or three occasions. However, he did not call attention to the fact that Congress had recognized the breach of good legislative principle by providing that the restriction should expire 10 months before the law itself should.

It was adopted in 1937 as an expedient. The President, when he signed the Sugar Act of 1937, expressed himself in very strong language and stated that he had assurances from spokesmen of the domestic beet sugar industry that it would not again be perpetrated in a sugar act, that if such a restriction were put into a law again it would have to stand on its own feet as an industrial proposition and not as a part of an agricultural bill.

Now the bill rests in this committee, and this committee will presumably report it out very soon in order that action may be taken by the Congress before Congress adjourns, but it restores to the Sugar Act of 1937 a feature that has already gone out. I, as a representative of the people of Hawaii, with about 80 percent of the people, native-born citizens, want to express my very strong hope that this committee will cut that McCormack amendment out of the bill.

SENATOR VANDENBERG. Was there a separate vote in the House on the McCormack amendment?

MR. KING. It was a vote in Committee of the Whole. As I recollect a division but not a teller vote. There were not many Members on the floor, and the vote of those who were on the floor was strongly in favor of the McCormack amendment. I want to say, frankly, there was a suggestion made that an amendment to the McCormack amendment would be offered to get Hawaii out and leave Puerto Rico under that restriction. I urged those who were sponsoring it not to do it, under the circumstances, for the reason that the principle involved is similar in both cases, and I was standing on the question of principle and not material interest.

The only argument made in favor of this amendment, Mr. Chairman, is that it would increase the amount of labor employed in the eastern refineries. It is a fact that refining requires a small amount of labor. It is a highly technical process, and insofar as Hawaii is concerned it has no effect whatsoever in the amount of labor that is

employed in the refining industry. Our sugar producers have, as a matter of private contract, arranged to guarantee for the next several years, I believe it is 4 years, subject to continuation and renewal, to guarantee them the same amount of raw sugar that they have ever received from the Territory of Hawaii, and any amount that Hawaii might refine would not be taken away from the eastern refineries. The amount we do sell to the eastern refineries, for refining and marketing here, is so small that the dislocation of labor would be immaterial. It would amount to just a handful of men, who might, under the present conditions, be reabsorbed in the national-defense program.

The CHAIRMAN. Mr. King, I think the committee understands your viewpoint, from the debate and discussions that have been held on the House side, and from prior debates and discussions. Now you, above almost all others, realize the delicacy of this present situation. Now you feel that this Sugar Act has helped the sugar people of Hawaii, do you not?

Mr. KING. Mr. Chairman, it did, but I am not too sure that I will say some alternative legislation might not have been equally helpful. The point is this legislation was adopted and it did stabilize a situation that was desperate in the industry. Whether it was the only possible solution of the problem I frankly do not know. May I say that I have no personal interest in the sugar industry. I am an ex-naval officer engaged in the real-estate business in Honolulu.

The CHAIRMAN. I understand.

Mr. KING. I cannot speak too much for the industry as such: I am speaking more from the point of view of an elected representative in Congress of the community as a whole as a Territory.

The CHAIRMAN. Now would you prefer to see no legislation on sugar at this time—I will put it bluntly—or prefer to see this bill pass?

Mr. KING. Mr. Chairman, I think the principle is so important that my preference—

The CHAIRMAN (interposing). Just lay aside the principle.

Mr. KING. My preference would be to see no legislation at this time. I wrote to the President of the United States just the other day urging that he express his opposition to this refining restriction. As the bill was passed, with the McCormack amendment, I feel it my duty to my constituents, my own people, regardless of whether they are in the sugar business or not, to write to urge the President to veto the bill.

The CHAIRMAN. Of course you know so much about parliamentary law, about the intricacies that are involved, and how difficult it is under certain circumstances to get legislation through, especially right at the end almost of the session, that I would like to ask you this question: Do you think that if we revamp this resolution and should strike out the McCormack amendment, that there is any possibility, any reasonable possibility, of the enactment of a law at this session?

Mr. KING. Yes, I do. I think if the beet-sugar spokesmen in Congress were assured that the Sugar Act of 1937 could not be continued unless the restrictions on refining from Hawaii and Puerto Rico were out they would agree to support it, and would have sufficient strength to do so. After all, the argument made in favor of the refiners does not bear analysis. Despite the fact that there was a considerable number in both Houses of Congress that spoke for it, if not for the refiners themselves then for the men employed by them,

my feeling; is they would not be strong enough to overcome the agricultural Representatives in Congress.

The CHAIRMAN. So your position now, as spokesman of Hawaii, is that you want to see an amendment added to this House bill eliminating the refining restrictions rather than running the risk of seeing nothing done, or do you prefer to see nothing done, if it came down to those two propositions?

Mr. KING. Yes, sir; I would say this, however, that Congress probably will not adjourn.

The CHAIRMAN. We have explored that from every angle in the world.

Mr. KING. Legislation could be enacted without that provision.

The CHAIRMAN. I think Saturday night will see about the end of this session.

Mr. KING. I am very happy to hear that.

The CHAIRMAN. There might be some plan to recess for a certain period of time. There will be no sugar legislation before the end of this Congress unless we squeeze it through, so to speak, by the end of Saturday night.

Mr. KING. Mr. Chairman, I have no desire to put the other units of the sugar industry in any difficult position. I have been here 6 years. I came here in 1935. Repeatedly the situation has come to a point where we have been asked to surrender what we consider our fundamental rights in order to save the industry, and the principle having once been established is then thrown up to us on the next occasion as justifying its repetition. It is a principle that might, if it is applicable to the sugar industry, apply to the pineapple industry or any other industry that we might develop in the future, or we might be barred from processing any agricultural product.

You know perfectly well, Mr. Chairman, that principle has not been applied to any other agricultural industry. There have been restrictions on cotton, on wheat, on corn, but never on the processing of the product within the State where it was grown or the community where it was raised. There is only the one case in American legislation in the past several years where there has been a restriction on the industrial manufacture of agricultural products, and that has been placed only on Hawaii and Puerto Rico.

I do not include the Philippine Islands because they are in a special status as a semi-independent community.

Senator VANDENBERG. Well, it is as indefensible as it seems to be unavoidable.

Senator KING. It is certainly indefensible.

Mr. KING. I will say this, Senator Vandenberg: I have been here just about long enough to take defeat with a smile, and I am not appearing here with any illusions, but certainly it is my duty to come here and express the sentiments of my community, my constituents, my personal sentiments, and then whatever the committee may do, if it does not accord with my views, I will come back and continue to fight, or my successor will come back and continue to fight.

The CHAIRMAN. I hope they will continue to send you back.

Mr. KING. Thank you.

The CHAIRMAN. We admire you for standing up for your belief, but we may, in our judgment, think that we have to report this bill out without change or amendment. So if we do, do not hold it against

us, because we are trying to help the industry and do the best we can under the circumstances.

Mr. KING. I will not hold it against you, either personally or officially.

The CHAIRMAN. Thank you very much.

Senator KING. Of course, when Hawaii becomes a State, and it is entitled to statehood, then you can plead with greater earnestness and effectiveness for a right which you are entitled to.

Mr. KING. Yes, Senator King. As you know, having been chairman of the Joint Congressional Committee on Hawaii, we are very anxious to be accepted as a State and are only waiting for Congress to put its approval on our aspirations.

The CHAIRMAN. Thank you very much, Mr. King. We are very much obliged to you.

The next witness is Mr. Cummings, Congressman Cummings from the State of Colorado.

### STATEMENT OF HON. FRED CUMMINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

The CHAIRMAN. Do you want to say anything to us? We are trying to wind up here as speedily as possible.

Mr. CUMMINGS. I will be very brief.

I just want to touch, first, on this assertion that the American people are overcharged \$360,000,000 for sugar. There are practically 130,000,000 people in the United States. That would mean they are overcharged \$2.70 per capita. Each person consumes practically 100 pounds of sugar a year. That means sugar was \$2.70 per hundred too high. The market has been from \$4.35 to \$4.50. Subtract the reported overcharge of \$2.70 from \$4.50 and you have \$1.80 left. Does anyone believe you could grow sugar for that? It is generally conceded that it costs at least \$2 to produce 100 pounds of raw sugar in the United States. This price would mean less than \$2 per ton for beets. When people tell you they do not want this continuing resolution, I am inclined to think it is a good thing the Lord is not enforcing one certain commandment as strictly as they did in the days of Ananias.

Senator VANDENBERG. You do not like what Secretary Wallace said about the sugar business?

Mr. CUMMINGS. I think some one in the Sugar Section must have given him a bum steer.

They tell you people in Hawaii, Puerto Rico, and different places are getting \$300,000 to \$400,000 in benefit payments. For the first 500 tons we receive \$12 per ton and there is a gradual decrease in the price until they receive but \$6 but they pay \$10 per ton processing tax. This means those large payments for individuals, or firms, is materially less than the amount they pay in processing tax. Big growers, however, receive the benefit of the quota. With the present world production of sugar and the world prices, it would be impossible for the sugar industry in the United States to survive without a quota.

The CHAIRMAN. It is your best judgment that this bill ought to be passed?

Mr. CUMMINGS. If it is not passed and if we have no protection next January, there will be no sugar produced in the United States, Hawaii, or Puerto Rico.

The CHAIRMAN. And you think it is in the interest of the sugar people, for the sugarcane and sugar-beet people in this country, and it will be helpful to the Philippines and outlying territories and possessions that this bill be passed?

Mr. CUMMINGS. It is the life of it. It will save the sugar industry in the United States.

The CHAIRMAN. We are glad to get your advice on this and on other matters, because we all respect your opinion on this subject, Mr. Cummings, very much.

Mr. CUMMINGS. I can't understand why people will come before an intelligent body of men and make those kinds of statements.

The CHAIRMAN. Thank you very much.

Mr. J. M. Elizalde, Resident Commissioner of the Philippines.

### STATEMENT OF HON. J. M. ELIZALDE, RESIDENT COMMISSIONER OF THE PHILIPPINES TO THE UNITED STATES

Mr. ELIZALDE. Mr. Chairman, I just wanted to file a brief with the committee as to the views of the government.

Senator KING. You are in favor of continuing the present act?

Mr. ELIZALDE. Yes, sir.

Senator KING. Not asking for any change?

Mr. ELIZALDE. Not any change from the present quota.

(The brief of Mr. Elizalde is as follows:)

RESIDENT COMMISSIONER OF THE  
PHILIPPINES TO THE UNITED STATES,  
Washington, D. C., October 2, 1940.

The CHAIRMAN, FINANCE COMMITTEE,  
*United States Senate.*

SIR: With reference to the consideration of H. R. 9654, a bill to extend for an additional year the provisions of the Sugar Act of 1937, by your committee and eventually by the Senate, I am enclosing herewith a copy of the statement I made before the Committee on Agriculture of the House of Representatives on April 11, 1940, on this legislation, with the request that you incorporate it in the pertinent records. This statement was made in behalf of the Philippine Government, and is now filed as evidence and in reiteration of our position in the matter.

Respectively yours,

J. M. ELIZALDE,  
*Resident Commissioner of the Philippines to the United States.*

### STATEMENT OF HON. J. M. ELIZALDE, RESIDENT COMMISSIONER OF THE PHILIPPINES TO THE UNITED STATES

Mr. Chairman and members of the committee: Under the terms of some of the bills before this committee that would amend the Sugar Act of 1937, the proposals to curtail the existing Philippine quota would result in the violation of the Independence Act. For this reason the government of the Commonwealth of the Philippines must object to their approval.

At the outset, permit me to bring to your attention the circumstances leading to the limitation of our sugar quota at its present level, since a knowledge of these facts is essential to a proper understanding of the equity of our position.

When the quota system was inaugurated by the Congress of 1934 with the enactment of the Jones-Costigan Act, the Philippine Legislature, upon the recommendations of the American administration, approved a sugar-limitation law designed to bring Philippine production into correspondence with the provisions of that act and the duty-free quota provided in the Tydings-McDuffie independence law. As a result, the Philippine sugar producers had to curtail their production of 1,580,443 short tons in 1933-34 by more than 50 percent, reducing it to 694,606 short tons in the following year.

My government and our producers, despite great sacrifices and losses, have ever fully and voluntarily cooperated with this administration in carrying out the



objectives of the sugar-stabilization program, restricting our production to an annual average of approximately 1,000,000 tons to meet the duty-free quota under the Independence Act, plus allowances for Philippine consumption and for an emergency reserve. In 1935-36, our production was 982,221 short tons; in 1936-37, 1,117,827; in 1937-38, 1,054,617; in 1938-39, 983,564 short tons.

As this committee is well aware, the Independence Act of 1934, as amended in 1939, gives the Philippines a duty-free quota of 850,000 long tons of which not more than 50,000 may be refined sugar. But, if disposed to the payment of full-rate duty, we are permitted further to export in excess of this figure up to the limit allowed by the quotas allotted annually under the provisions of the current Sugar Act. All the Sugar Quota Acts (Jones-Costigan Act, O'Mahoney resolution, the Sugar Act of 1937) have given the Philippines an allotment higher than the duty-free quota specified in the Independence Act. The Sugar Act of 1937, moreover, provides that the Philippine allotment shall not in any case be less than the duty-free quota in the Independence Act. Notwithstanding the fact that heretofore we have always been entitled to a higher allotment than the 850,000 long tons specified in the Independence Act, the Philippine Commonwealth has never taken advantage of this additional quota, over and above the Independence Act duty-free limitation, with the result that in the past 4 years we have given up as deficiency a total of 297,708 short tons: 97,909 tons in 1936; 86,805 tons in 1937; 53,883 tons in 1938, and 59,111 tons in 1939.

In the International Sugar Agreement signed in London in May 1937, in which both the Governments of the United States and the Commonwealth of the Philippines were signatory parties with 20 other countries, the Commonwealth Government agreed not to export to the competitive sugar market of the world "so long as the United States maintains a quota for Philippine sugar of not less than an amount equal to 800,000 long tons of unrefined sugar plus 50,000 long tons of refined sugar per calendar year." The United States Government further agreed, in the event the Philippine quota of 850,000 long tons were reduced, to permit the importation from foreign countries of the corresponding amount of such reduction. Consequently, any reduction in the Independence Act quota of the Philippines would have to be filled by foreign sugar. The benefits and advantages of such reduction would not, therefore, accrue to the domestic sugar producers in the United States but to foreign producers, unless the solemn treaty entered into by the United States, and in which the Philippines participated by request of the American Government, were violated.

Mr. Chairman, I feel it pertinent to stress to this committee the fact that in the 10-year period between 1935 and 1946, the Independence Act has provided a plan for the adjustment of Philippine economy and, simultaneously, of the interests of the United States in the Philippines. This plan was thoroughly studied and carefully considered by the Congress before its adoption. Under this arrangement, provision was made for the entry of Philippine goods into the United States, with specific limitation of certain products such as sugar, coconut oil, cordage, cigars and scrap tobacco and pearl buttons, and also for the payment of certain graduated rate of United States customs duties during the last 5 years of this period. For the proper protection of American interests in the Philippines, it was agreed that throughout the transition of 10 years, United States products would enter the Philippines without any restriction whatsoever, without any barriers or quotas, and without the imposition of customs duties. This order, arrived at after mature deliberation, must be protected and given the opportunity of realizing its objectives.

The passage of the Independence Act in 1934 was of a historic and transcendental importance to the Philippines. It was a generous gesture on the part of the American people. The 10-year period of economic adjustment is in itself proof of the breadth of spirit in which this act was conceived. Whatever advantages were obtained by the Filipinos under the law were granted by the Congress because they were deemed reasonable. The law was passed with the essential requirement that certain provisions had to be incorporated and made a part of the Philippine Constitution, which would have to be specifically and definitely accepted by the Filipino people in a plebiscite. This was done and the political and economic provisions of the law were accepted by an almost unanimous vote. The plan, after having been accepted and ratified by the people of the Philippines, I respectfully submit, cannot be altered unilaterally without violating its basic philosophy.

I contend, Mr. Chairman and gentlemen of the committee, that if any changes have to be made in the Independence Act during the 10 years of the transition and economic adjustment period, the whole economic program conceived in that act would necessitate revision. The Independence Act, as visualized by the Fili-

pino people, is a solemn agreement entered into by the United States and the Philippines for a period of 10 years. It would be difficult for my people to understand any changes in the act affecting only certain Philippine products, unless such changes were made with their consent. I cannot conceive, Mr. Chairman, how the Congress of the United States, with its consistent record of fairness and generosity, already demonstrated throughout the 42 years of our association and more particularly at the time when the Independence Act was passed, could permit changes to be made adversely affecting the Filipino people and their economy exclusively without their agreement.

The Philippines has been a sugar-producing country for a great many years, and exported sugar before the American occupation. At the outbreak of the World War we were exporting a total of 261,000 short tons. Subsequently, the United States entered the war, and an industrial boom followed in its wake causing an acute shortage of sugar supplies in the United States. It was quite evident that the continental producers could not supply the local consumptive demands on account of the shortage of labor at the time, which had drifted to other industries. In 1916, upon the encouragement of the Federal Government, Philippine producers developed the manufacture and production of sugar on a large scale in order to help meet the shortage in the United States and at the same time to enable the Philippines to take full advantage of the benefits offered by American tariff protection.

Under such stimulation and incentive, Philippine production rose to 1½ million tons. At the time of the passage of the Independence Act and the enactment of the Jones-Costigan Act, the Philippine producers, in order to conform to a fair and equitable plan of adjustment of Philippine-American economy, voluntarily reduced their production from 1½ million tons to a level that would meet their duty-free quota of 850,000 long tons. Consequently, the Philippines took a tremendous loss. Truly enough, under the quota system inaugurated by the Jones-Costigan Act, a general limitation was imposed on the marketing of sugar by all areas. But the fact stands, nevertheless, that the Philippines suffered the greatest reduction.

While under the Sugar Quota Acts the Philippines have been credited with allotments which exceeded the quantity granted us under the Independence Act, I want to reiterate and make clear to this committee that the Philippines have never taken advantage of that additional amount, although we were entitled to it by law. We entered into an agreement with the United States under the Independence Act to ship 850,000 long tons, and we have abided by that agreement from the very beginning.

When the quotas were suspended last fall, all the other areas were given an opportunity to increase their production without limit. The Philippines was the only area limited to 850,000 long tons and therefore was precluded from increasing its production. The fact stands that if all sugar quotas were abolished now, the Philippines would be the only country operating under a quota by a separate law—the Independence Act—and therefore is the only sugar-producing area which cannot ever be a menace to the United States producers.

The sugar industry is one of the most important factors of our economy. Its maintenance is essential to the continuation of our living standard, which is the highest in the Far East. It provides the main source of our national income, and the livelihood of 2,000,000 of our people. The condition of our sugar industry, therefore, affects our purchasing power abroad. Because of our ability to sell our sugar and other products in this country, today we are the fifth best customer of the United States. In 1939, we purchased merchandise from you valued at over \$100,000,000. For a great number of American exports, including cotton textiles, white flour, cigarettes, auto casings and tubes, sewing machines, dairy products, explosives, canned goods, fertilizers, paints and for many others, we are the best buyer in the world. The dislocation of this industry would proportionately curtail our purchasing power for the products of your farms and factories.

May I, therefore, hope that, in considering the matter of sugar, your committee will give consideration to the facts and circumstances I have referred to, that the major industry may be continued and thereby preserve the satisfactory and mutually advantageous trade relations between our countries.

I submit that any attempt to arbitrarily reduce the Philippine quota below that provided and contracted for under the Independence Act would be unreasonable and inequitable. In behalf of the Commonwealth government, I, therefore, urge that the following provision in section 202 (b) of the Sugar Act of 1937 be inserted in any sugar legislation that this committee may recommend:

"SEC. 202. (b) In no case shall the quota for the Commonwealth of the Philippine Islands be less than the duty-free quota now established by the provisions of the Philippine Independence Act."

Mr. Chairman and members of the committee, I appreciate your kindness and indulgence in allowing me this opportunity to appear before your committee.

The CHAIRMAN. Senator Hawes.

**STATEMENT OF HON. HARRY B. HAWES, COUNSEL FOR THE  
PHILIPPINE COMMONWEALTH, AND REPRESENTING THE  
PHILIPPINE SUGAR ASSOCIATION**

The CHAIRMAN. We will be glad to get your opinion on this bill, Senator.

Senator HAWES. Mr. Chairman, unless there is some radically different testimony from that which appears in the House hearings, representing the Philippine government and the Philippine Sugar Association, we have no comments to make.

If you will indulge me for just 1 minute; in 1934, when the original sugar quota was applied by the Congress, continued in 1936, again in 1937 by the present Sugar Act and by international agreement, and by an agreement reached voluntarily by all the sugar groups in the United States in 1933, a fixed quota was arrived at for the Philippines. In all cases allotments were made at least the same or over the 850,000 long tons, provided in the Independence Act, although the production of sugar in the Philippines increased at one period to 1,500,000 tons, there seems to be no disagreement about that quota.

At that time, Mr. Chairman, we had no quota system in the United States, and this was the first law that we passed that involved the element of limitation. I do not believe anyone wants to change the law. It cannot be changed without mutual consent. That is to say, when we change the Philippine law it is submitted by plebiscite to the Philippine people for their ratification or rejection.

So to economize your time, if no one want to change the law—they did not on the House side—if it meets with your approval, I would like to extend my remarks and I would ask that the tables I have made be made part of the record.

The CHAIRMAN. Is that in your brief?

Senator HAWES. Yes.

The CHAIRMAN. You may furnish that to the reporter. Thank you, Senator.

Senator KING. I cannot conceive it possible that anyone would suggest a violation of the treaty which has been entered into with the Philippines. We are bound by that treaty. There may be some situations develop in the Pacific by reason of the attitude of Japan which may necessitate some modification of that treaty in the interest of the United States as well as the interest of the Philippines.

Senator HAWES. That might well happen, Senator.

(The brief referred to is as follows:)

**CONTINUATION OF STATEMENT OF HARRY B. HAWES BEFORE SENATE  
FINANCE COMMITTEE ON H. R. 9654**

Mr. Chairman and members of the committee, I appear before your committee in a double capacity; as advisory counsel of the Philippine Commonwealth and American representative of the Philippine Sugar Association.

As a rule, bills affecting relations between our Government and the Philippine Commonwealth are under the jurisdiction of the Insular Affairs Committee of the House and the Territories and Insular Affairs Committee of the Senate. The members of both these committees are familiar with legislative enactments under which the Philippine Islands have been governed since they came under our sovereignty 41 years ago.

Occasionally, however, matters of a general character arise for the consideration of other committees, as, for instance, the sugar legislation (H. R. 9654) before you which concerns not only the Philippines but continental United States, Hawaii, Puerto Rico, Virgin Islands, Cuba, and other foreign countries. I therefore ask your indulgence to briefly summarize American-Philippine contacts.

The Philippines came into the possession of the United States partly by purchase from Spain but finally through force of arms, in a 3-year war which took the lives of 4,000 Americans and 16,000 Filipinos. History does not always accurately record this. It refers to it as a matter of purchase, but it was ultimately acquired by conquest.

From the very beginning of our civil administration, promises were made to the Filipino people by our American administrators, Washington officials, and American spokesmen that, when they were ready and asked for it, independence would be granted.

In 1931 and 1932, under the administration of President Hoover, the Congress, through its Philippine committees in both Houses, considered this question and held extensive hearings resulting in an independence offer under certain conditions and terms to be accepted by the Philippine Legislature and ratified by the Filipino people in a plebiscite.

In dealing with Philippine commodities and exports it was quickly realized that sugar was the lifeblood of the islands, their primary source of revenue and employment, nurtured and developed under our tariff. It was admitted that abrupt closing of the American market would destroy the sugar industry and consequently paralyze Philippine economic life.

The Congress, in the first offer of independence in 1932, adopted the theory of economic readjustment by quotas and limitations for a period of 10 years prior to the grant of complete independence.

In this offer a limitation was placed on the exports to the United States of 800,000 long tons of unrefined sugar and 50,000 long tons of refined sugar.

The offer was rejected by the Filipino people, although it had secured two-thirds majority in our House of Representatives and in the Senate.

In 1934 a second offer of independence was made carrying the original sugar limitation of 850,000 long tons and making only one important modification in the first offer and that related to military reservations.

This second offer was again presented to the Filipino people and this time was accepted and ratified in a plebiscite, establishing for the first time the principle of mutuality of agreement in American-Philippine relations. Under the act, a commonwealth form of government was inaugurated in 1935 to function during the 10-year transition period prior to complete independence in 1946.

Until that time the Philippines remain a possession of the United States, subject to our jurisdiction and sovereignty.

Responding to Presidential initiative, after the establishment of the Philippine Commonwealth Government, a "joint preparatory committee" was created with an equal number of American representatives and Filipino representatives to study trade relations. This committee recommended that there should be no change in the limitation of 850,000 long tons.

The present Congress, in 1939, reviewed and made several changes in the Independence Act as a result of the reports of this preparatory committee. But the limitation of 850,000 long tons on sugar was retained and continued.

In 1934, in the face of an acute sugar problem, the Congress passed what was called the Jones-Costigan Act, giving certain discretionary powers to the Secretary of Agriculture in fixing quotas for continental and offshore areas.

This was followed by two acts of Congress, extending and supplementing the original quota system established by the Jones-Costigan law.

Under these sugar-quota acts the Secretary of Agriculture gave the Philippines an annual allotment which in every case was greater than the limitation fixed in the Independence Act, as follows:

	Short tons		Short tons
1934.....	1, 005, 602	1938.....	1, 044, 903
1935.....	981, 958	1939.....	1, 041, 023
1936.....	1, 068, 057	1940.....	1, 003, 783
1937.....	1, 085, 304		

<sup>1</sup> Revised quota, 982,441 short tons.

The Sugar Act of 1937, which the bill (H. R. 9654) before you seeks to extend for 1 year, provides that the allotment for the Commonwealth in any year shall in no case be less than the duty-free limitation fixed in the Independence Act.

Before the adoption of the quota system, in the crop year of 1934-35, due to the introduction of a new variety of sugarcane, the Philippines produced in that year over 1,500,000 tons of sugar, almost doubling in actual production the limitation fixed by the Independence Act and 50 percent greater than the highest allotment received under the quota acts.

Despite the great sacrifice and loss incurred by Philippine producers, the Commonwealth cooperated fully with the present administration in carrying out the objectives of the quota acts and the Independence Act and a Philippine limitation law was enacted to conform sugar production in the Philippines with these acts.

In the International Sugar Agreement, signed in London on May 6, 1937, in which 22 countries were signatories, including the United States and the Commonwealth of the Philippines, the Philippine quota in the Independence Act was recognized and acknowledged.

It is clearly evident that the Philippine quota of 850,000 long tons is not only established by a mutual agreement between the Congress and the Philippines but also recognized by an international convention.

On April 10 of this year the House Committee on Agriculture held hearings to discuss various sugar regulatory bills. The hearings were extended for several days at which appeared the spokesmen of 17 beet-producing States, the 2 cane States of Louisiana and Florida, and offshore areas of the Philippines, Hawaii, and Puerto Rico. In addition the refiners were heard.

In the course of the hearings, the committee requested the spokesmen of these areas to confer and arrive at some decision among themselves and present a new bill or an amendment to the Cummings bill (H. R. 8746) for the committee's consideration.

The representatives of these areas were unable to agree, but it will be noted that no attempt was made to cut or curtail the Philippine quota.

Our request is simple: That the already established sugar quota for the Commonwealth of the Philippines should remain unchanged.

It is not for us to advise about other provisions of the law but to point out that the two, in fact three, American offers were made by the Congress and accepted in a plebiscite by the Filipino people and cannot be changed except on the same theory of mutuality, offer, and acceptance, established and adopted by the Congress and the Philippine Commonwealth.

This briefly covers the American-Philippine relationship, as it relates to sugar. May I add, as part of my verbal statement, trade data which I hope will aid the members of your committee in appraising the value of reciprocal trade between the Commonwealth and the United States?

The Philippines is one of our greatest markets in the World. In 1939 it was our fifth best customer, surpassed only by Canada in the whole Western Hemisphere, by England and France in Europe, and by Japan in the whole Eastern Hemisphere. In that year the Philippines purchased from the United States merchandise valued at over \$100,000,000 and sold to the United States products amounting to \$91,927,000. (See table I.)

Official reports of the Department of Commerce show that the Philippines, in 1938, was our No. 1 customer in 75 different classes of American exports. A glance at the list discloses the significance of the Philippine market to our farmers and manufacturers and the degree of the standard of living which the Filipino people have attained, the highest level in the whole Far East. (See table II.)

I wish to emphasize that of the six American exports in which the Philippines excels any buyer in the world, four are products of American farms.

From the farms of the South came the cotton raw materials which were utilized in the manufacture of cotton cloths exported, with a total value of \$45,311,310,

in which the Philippines was the chief purchaser to the extent of \$14,952,630, or 33 percent of the total.

From the farms along the Atlantic seaboard came the tobacco used in American cigarettes sold abroad with a total value of \$12,202,178, in which the Philippines was the best customer, taking \$5,355,840, or 43 percent of the total export value.

From the Northwest Pacific States came the wheat turned into wheat flour, valued at \$15,731,318. Here again the Philippines was America's No. 1 buyer with purchases amounting to \$3,458,517, or 22 percent of the total value exported.

And from the American dairy farms came milk, butter, and cheese, with a total export value of \$6,083,659. The Philippines also led all countries with a purchase of \$1,292,873, or 21 percent of the total value.

Turning to industrial goods, the steel and iron factories supplied a host of American manufactures in which the Philippines was the chief buyer. These include steel galvanized sheets, tires and tubes of all kinds, sewing machines, cast-iron fittings, concrete reinforcement bars, ready-mixed paints, wire nails, sugar-mill and saw-mill machinery, galvanized steel pipes, and many others.

Moreover, the Philippines was among the large purchasers of the principal groups of industrial products. For instance, the Philippines was second-best customer of the United States for rubber manufactured goods, taking \$3,028,883 out of a total value of \$27,180,958 exported to all countries. It ranked third as purchaser of American paper manufactures, taking \$2,370,085 out of a total export of \$25,901,680 and third as buyer of books and other printed matter, taking \$1,053,933 out of a total export value of \$22,999,906. In the other groups, the Philippines ranked fourth as a customer for rayon silk goods, taking \$1,196,540 out of a total value of \$11,029,990 and fifth as importer of American medical preparations, getting \$1,312,890 out of a total value of \$17,080,149.

This notable position which the Philippines commands in the world as a market for our products, has been the logical result of the free trade between the United States and the Philippines established by Congress in 1909 and since continued with certain modifications in the Independence Act of 1934 and the Philippine Economic Act of 1939.

In these congressional enactments, Congress has pursued the trade policy of permitting the entry of Philippine products to the United States, with certain limitations, and reciprocally allowing American products to enter the Philippine market without the payment of customs duties and without quotas or restrictions.

The result of this relationship is obvious. Industries such as sugar, coconut oil, and others, which benefit from the high tariff protection in the United States were encouraged and developed while the Philippine market was opened to American exports free of duty, enabling them to compete with products of foreign countries which must pay the Philippine customs duties.

The wealth so created as a result of the economic development of the Philippines has enabled the Filipino people to raise their standard of living, to build railroads, highways, bridges, ports, and other public improvements, to establish better health service, to erect schools and higher institutions of learning, to develop natural resources—in fact to carry out the various activities that have made possible the attainment of their present progress and prosperity and the highest standard of living in all Asia.

The sugar industry, if crippled or destroyed, would financially wreck the Philippine Commonwealth which still exists under the American flag and American sovereignty.

In contemplation of war, which we all hope will not come to our country, we find that continental United States does not produce sufficient sugar to supply its own population, but, the Philippines, in addition to sugar, produces the following articles which are essential materials in warfare: Chromium, coconut shell char (for gas masks), manganese (ferrograde), manila fiber, hides (carabao) and kapok.

May I add that this year the Philippines sends to the United States in gold bullion \$40,000,000, twice as much as produced in the golden days of Alaska and almost equaling the highest peak of Californian production. Since 1929 the Philippines has sent to the United States over \$200,000,000 in virgin gold.

Unless there is a change in the mutual agreement, the Philippines becomes an independent nation in 1946. Only half of the experimental period provided by Congress has passed. During this period the Philippine Islands, in the words of the Supreme Court of the United States, "are not yet foreign territory." The Commonwealth today has no contact with foreign nations, no foreign consulate service nor sales agents, as these contacts are controlled exclusively by the United States Government.

To destroy the last 5 years of this preparatory period by a curtailment of the lifeblood export would undo the achievement of over 40 years of sovereignty,

in friendship, education, sanitation, economic and social welfare, and in the inculcation of democratic principles of government in a Commonwealth of 16,000,000 Christians (more Christians than in all of Asia), who keep alive the philosophy of our religion and the ideals of our institutions in a part of the world which is today beset with confusion, and uncertainty as a result of totalitarian aggression.

HARRY B. HAWES,  
United States Representative, Philippine Sugar Association.

TABLE I.—Ten leading United States customers, calendar year 1939

	Value of United States exports		Value of United States exports
1. United Kingdom.....	\$505,227,000	6. Netherlands.....	\$96,809,000
2. Canada.....	493,450,000	7. Sweden.....	96,661,000
3. Japan.....	231,405,000	8. Mexico.....	83,177,000
4. France.....	181,825,000	9. Cuba.....	81,644,000
5. Philippines.....	100,018,000	10. Brazil.....	80,441,000

Ten leading United States suppliers, calendar year 1939

	Value of United States imports		Value of United States imports
1. Canada.....	\$340,066,000	6. Cuba.....	\$104,930,000
2. Japan.....	161,196,000	7. Netherland Indies..	92,971,000
3. United Kingdom.....	149,669,000	8. Philippines.....	91,927,000
4. British Malaya.....	148,965,000	9. British India.....	66,409,000
5. Brazil.....	107,243,000	10. Belgium.....	63,296,000

Compiled from Department of Commerce figures in 1703-A issued Feb. 13, 1940.

TABLE II.—List of American exports in 1938 in which Philippines ranks No. 1 as United States customer

Name or class of article	Total value of United States exports to all countries	Value of United States exports to the Philippines
1. Cotton manufactures.....	\$45,311,310	\$14,952,630
2. Cigarettes.....	12,202,178	8,355,840
3. Wheat flour, wholly of United States wheat.....	15,731,318	3,458,617
4. Steel galvanized sheets.....	6,622,891	2,149,713
5. Tires and tubes of all kinds.....	12,871,488	1,732,277
6. Dairy products.....	9,063,650	1,292,873
7. Dynamites.....	2,185,704	867,636
8. Sewing machines.....	2,423,286	802,370
9. Bound textbooks.....	2,005,607	680,979
10. Canned sardines.....	2,786,163	662,598
11. Wrapping paper.....	2,364,038	537,937
12. Cast-iron fittings.....	2,474,954	504,944
13. Concrete reinforcement bars.....	1,366,775	487,268
14. Ready-mixed paint.....	4,239,695	423,511
15. Green coffee.....	680,508	415,344
16. Wire nails.....	1,369,771	380,329
17. Toilet soap.....	1,385,084	370,281
18. Writing paper.....	2,101,340	368,376
19. Cigar leaf.....	790,439	349,869
20. Insulated copper wire.....	1,788,086	340,174
21. Chewing tobacco.....	755,955	317,699
22. Ammonium sulphate.....	762,543	309,331
23. Toilet powders.....	978,100	256,267
24. Malt liquors.....	466,056	252,088
25. Headache and other remedies.....	1,437,684	225,851
26. Sugar mill machinery.....	1,783,666	218,951
27. Nitrogenous fertilizers.....	746,425	217,719
28. Confectionery.....	1,218,514	216,637
29. Welded galvanized steel pipe.....	1,440,829	215,125
30. Uninsulated wire rope cable.....	944,705	208,839
31. Tomato ketchup and other sauces.....	849,884	190,934
32. Ointments for colds and catarrh.....	872,804	157,112
33. Safety fuses.....	436,456	152,919
34. Concentrating smelting machinery.....	886,069	139,613
35. Powdered cocoa.....	355,161	130,345
36. Blasting caps.....	509,731	126,932
37. Roasted coffee.....	616,006	120,869
38. Cottonseed oil.....	354,229	119,051
39. Mine hoist and derricks.....	609,524	112,795
40. Sawmill machinery.....	431,519	108,979
41. Hair preparations.....	587,041	105,792

TABLE II.—List of American exports in 1938 in which Philippines ranks No. 1 as United States customer—Continued

Name or class of article	Total value of United States exports to all countries	Value of United States exports to the Philippines
42. Chocolate.....	\$210, 071	\$100, 704
43. Canned sausage.....	378, 002	98, 061
44. Rice flour and meal.....	126, 548	86, 016
45. Tooth brushes.....	514, 980	85, 005
46. Pencils and pens.....	842, 105	85, 583
47. Padlocks.....	369, 788	85, 057
48. Sashes and frames of iron or steel.....	311, 372	81, 426
49. Watt-hour and other measuring instruments.....	673, 014	81, 259
50. Shovels and spades.....	248, 392	81, 094
51. Miscellaneous canned vegetables.....	301, 087	79, 238
52. Pickles.....	182, 098	73, 397
53. Planos.....	205, 922	69, 589
54. Rubber heels.....	217, 098	70, 476
55. Woven wire-screen cloth.....	433, 384	68, 096
56. Neckties and scarfs.....	266, 448	66, 060
57. Dried shrimp.....	804, 307	66, 480
58. Calcium carbide.....	123, 774	61, 636
59. Shot shells.....	318, 072	57, 763
60. Sole and belting leather.....	172, 096	55, 951
61. Crayons.....	169, 703	55, 473
62. White lead.....	90, 541	48, 107
63. Black cattle leather.....	220, 537	47, 592
64. Motion-picture recording.....	283, 139	44, 849
65. Canned vegetable soup.....	302, 441	44, 836
66. Writing ink.....	221, 878	40, 538
67. Canned tomatoes.....	118, 679	38, 913
68. Cooking fats other than lard.....	245, 679	37, 866
69. Babbitt metal.....	302, 876	35, 838
70. Red lead.....	115, 474	35, 817
71. Preserved fruits and jams.....	160, 237	27, 977
72. Golf clubs.....	136, 266	26, 035
73. Women's and children's rayon hosiery.....	94, 042	22, 807
74. Golf balls.....	45, 139	17, 974
75. Hand hoes, rakes, and forks.....	114, 044	13, 411

The CHAIRMAN. Is Commissioner Puga'n in the audience, Resident Commissioner of Puerto Rico?

Mr. J. A. Dickey, Association of Sugar Producers of Puerto Rico is the next witness. All right, Mr. Dickey.

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

Mr. DICKEY. Mr. Chairman, I am going to be very brief and ask to submit for the record what I do not cover. I am only going to try to cover two or three points.

The CHAIRMAN. If you have a written brief, just give it to the reporter.

Mr. DICKEY. All right.

When considering H. R. 9654 with respect to Puerto Rico, we ask that the committee bear in mind the full significance of sugar to the Puerto Rican economy. Sugar is more important to Puerto Rico than to any other area under the American flag. A larger proportion of the people depend on sugar for existence in Puerto Rico than in any other area.

Though sugar occupies only one-seventh of the farm land, it produces nearly two-thirds of the island's total income from all sources. No county and no State receive as large a percentage of their total income from sugar as does the entire island of Puerto Rico. In the continental areas sugar is only one of many important income-producing



crops. In Puerto Rico, however, sugar is 10 times more important as a source of income and employment than any other crop or industry.

The island produces sugar not because sugar is more profitable than any other crop, as is the case on the mainland, but because for more than half of the employed population sugar offers the only available means of averting starvation. When 1,000 jobs or 20,000 jobs are eliminated by restrictions on sugar production, there is no other place to which workers can turn for employment and the necessities of life. Other opportunities simply do not exist.

Puerto Rico's quota under the original Jones-Costigan Act was 246,000 tons less than the amount produced in the last unrestricted year, a reduction of 22 percent (table 1). This was the greatest reduction suffered by any domestic or foreign sugar-producing area. In fact, Cuba's quota for the first year under the Jones-Costigan Act was 265,000 tons, or 16 percent more than the amount shipped in the last unrestricted calendar year.

TABLE 1.—First year's quota (1934) under the Jones-Costigan Act compared with sugar production in last unrestricted crop year, by principal areas supplying continental United States market

Area	Production last unrestricted crop year	Quota for first year under Jones-Costigan Act	First year's quota compared with production of last unrestricted year	
			Tonnage change	Percentage change
	Tons	Tons	Tons	Percent
Mainland sugar beet.....	1,756,918	1,556,166	-200,752	-11.4
Mainland cane.....	250,815	261,034	+10,219	+4.1
Hawaii.....	1,035,546	1,077,764	+42,218	+4.1
Puerto Rico.....	1,113,697	867,312	-246,385	-22.1
Philippine Islands <sup>1</sup> .....	1,241,200	1,005,602	-235,598	-19.0
Cuba <sup>2</sup> .....	1,600,700	1,866,482	+265,782	+16.6

<sup>1</sup> Includes local consumption of 20,500 tons (1935 figure).

<sup>2</sup> Includes local consumption of 60,000 tons (1935 figure).

<sup>3</sup> Shipments to United States market in last unrestricted calendar year.

TABLE 2.—1940 sugar quotas for various areas supplying the continental market compared with production for such market in the last unrestricted year

Area	Production, last unrestricted crop year	Existing quota under the Sugar Act of 1937	Existing quotas compared with production of last unrestricted year	
			Tonnage change	Percentage change
	Short tons	Short tons	Short tons	Percent
Mainland sugar-beet area.....	1,756,918	1,549,898	-207,020	-11.8
Mainland cane area.....	250,815	1,420,167	+1,169,352	+467.5
Hawaii.....	1,035,546	1,008,906	-26,640	-2.6
Puerto Rico.....	1,113,697	1,608,706	+495,009	+44.4
Philippine Islands <sup>1</sup> .....	1,241,200	1,005,783	-235,417	-19.0
Cuba <sup>2</sup> .....	1,600,700	1,868,217	+267,517	+16.7

<sup>1</sup> Includes local consumption.

<sup>2</sup> Shipments to United States market in last unrestricted calendar year.

TABLE 3.—Between 1934 and 1940, deliveries, as indicated by the change in initial quota for these years, increased about 250,000 tons. Puerto Rico received by far less of this increase than any area, domestic or foreign

Area	Initial 1934 quota under the Jones- Costigan Act	1940 quota under Sugar Act of 1937	Tonnage increase
	Short tons	Short tons	Short tons
Mainland sugar beet area.....	1,556,166	1,559,695	3,529
Mainland cane area.....	261,034	422,823	161,789
Hawaii.....	916,550	943,907	27,417
Puerto Rico.....	802,842	803,026	184
Virgin Islands.....	5,470	8,972	3,502
Philippine Islands.....	1,015,186	1,036,356	21,170
Cuba.....	1,901,752	1,923,680	21,928
Foreign countries other than Cuba.....	17,000	26,581	9,581
Total.....	6,476,000	6,725,100	249,100

We dropped 246,000 tons from our last unrestricted year, whereas, Cuba picked up 265,000 tons more than it shipped in its last unrestricted year. The low quota for Puerto Rico was the result of basing the quota on the 3 years prior to the quota system in which drought, hurricanes, and other abnormal growing conditions prevailed. In fact, the original quota was based on a period of the worst growing conditions in the island's history.

The Jones-Costigan Act was regarded as a temporary measure and the island expected the injustices would be rectified when new legislation was adopted. To the contrary, the Sugar Act of 1937, which it is now proposed to continue, imposed a further reduction in quotas on Puerto Rico and some of the other domestic areas in order to provide a larger allotment for the continental cane areas. The initial quota for the present year established under the Sugar Act of 1937, is 244,000 tons below the last unrestricted crop, while Cuba's quota is 262,000 tons, or 16 percent greater than the amount marketed in the United States in the last unrestricted calendar year (table 2).

In addition to receiving a disastrously low quota under previous legislation, Puerto Rico has not received its share of the increase which has occurred in domestic consumption since the control program was initiated. Although the consumption has increased 249,000 tons, Puerto Rico has received a mere 184 tons of that increase (table 3). Even foreign areas have received a proportion of this increase in consumption far in excess of the amount received by Puerto Rico. Cuba alone had an initial quota for 1940 of 21,000 tons greater than Cuba's initial quota for 1934.

In other words, from the change, from the Jones-Costigan Act to the end of 1937, we lost sugar while other areas gained sugar.

#### EMPLOYMENT HAS DECLINED SHARPLY

As a direct result of the drastic restrictions on sugar production, at least 30,000 persons were thrown out of employment, losing the only possible means of support for themselves and their families. On the basis of 5 persons per family, this means that 150,000 people have had their only means of livelihood removed. Moreover, nearly as many people depend on sugar outside the industry as within it. Consequently, the reduction in sugar production in Puerto Rico has affected employment all along the line—in transportation, communica-

**THE ADVANCE IN RAW SUGAR PRICES UNDER THE JONES-COSTIGAN ACT WAS LESS THAN THAT FOR ALL FOOD PRODUCTS; MOREOVER, UNDER THE SUGAR ACT OF 1937 SUGAR PRICES HAVE DECLINED TO A POINT BELOW THE PRE-CONTROL LEVEL.**

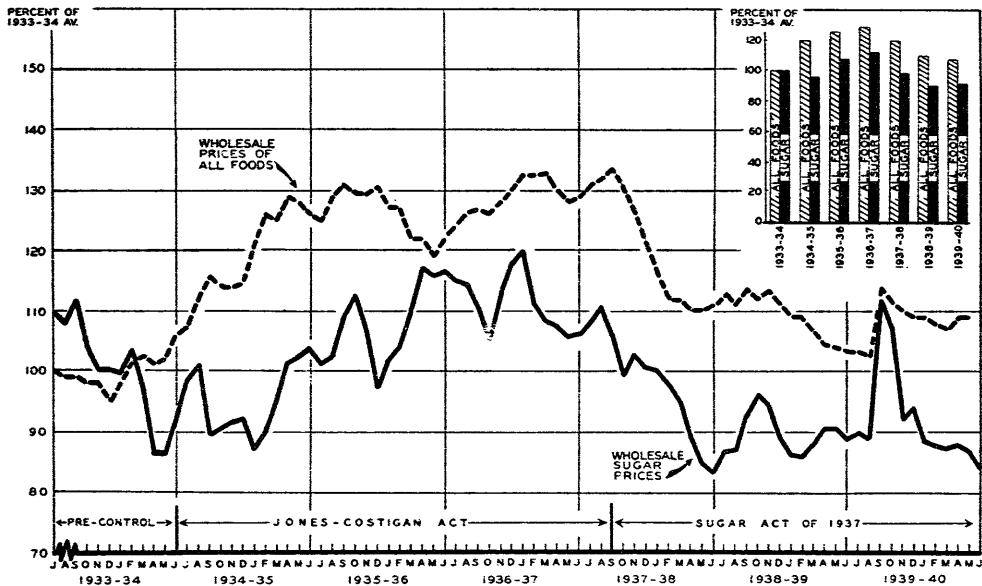


CHART No. 1.

UNDER THE SUGAR CONTROL PROGRAM, RAW PRODUCERS HAVE ABSORBED THE PROCESSING TAX, RETAIL PRICES HAVE REMAINED RELATIVELY CONSTANT BUT PRICE RETURNS TO RAW PRODUCERS HAVE DECLINED BELOW THE AVERAGE PREVAILING IN THE PRE-CONTROL PERIOD.

(REFINED PRICE BASIS)

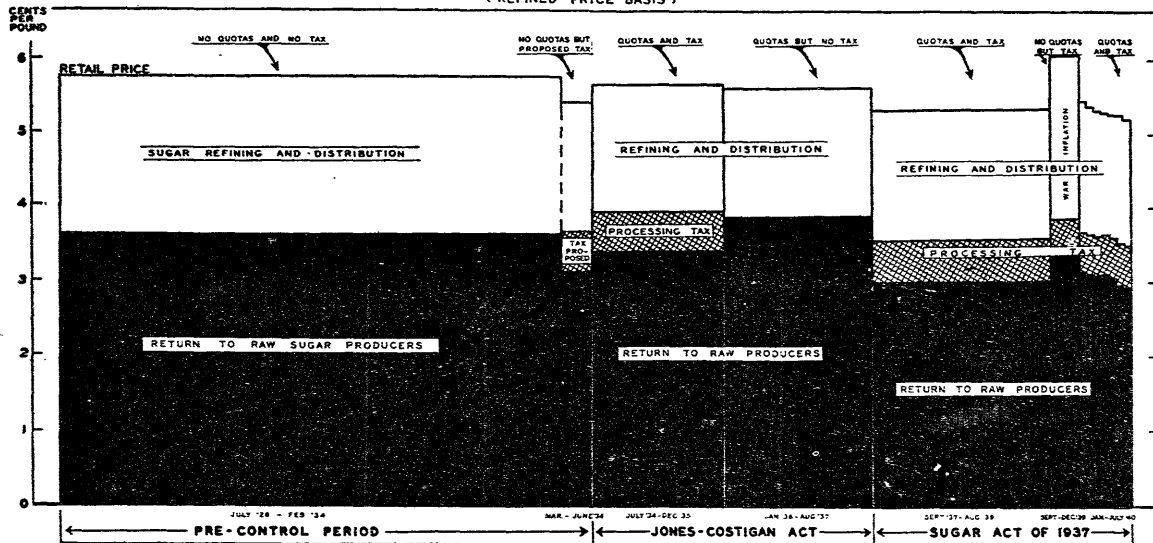


CHART NO. 2.

tion, trade, and commerce, and so on. At the same time, due to the loss of markets for tobacco, grapefruit, pineapples, coffee, and textiles, Puerto Rico's dependence upon sugar for employment is greater than ever before. The present quotas establish the island's sugar industry at a ruinously low level and completely shackle the economic life of the island.

#### PRICES HAVE REMAINED LOW

Yet it is not only in the loss of employment that Puerto Rico has suffered. A quota system originally was adopted in 1934 because the low price of sugar was threatening the existence of the industry. However, in 3 full years under the 1937 Sugar Act, the average returns to growers, including Government payments, have been only 11 percent above the 3 depression years, 1931-33. In fact, more than one-third of the producers of the island, whose volume of production is above the average, received only \$3.40 per 100 pounds, including benefit payments, during the 3 years under the act of 1937. This is only 24 cents per hundred pounds of sugar more than the price averaged during the 3 worst depression years. And in recent months returns have been barely equal to the average price that prevailed during the 3 years immediately preceding the control program. The average rate of returns for sugar, in July and August, including Government payments, averaged \$3.21 per hundred pounds as against \$3.16 per hundred pounds during the depression years, 1931-33. For the above average size producers, the average price, including benefit payments, for the last few months, was only \$3.11 per hundred pounds, or 2 cents below the price received at the depth of the depression. These low prices for sugar, coupled with a greatly reduced volume, have put Puerto Rico's gross income from sugar barely at the depression hurricane level. (See chart No. 1.)

#### PRODUCTION COSTS HAVE RISEN GREATLY

At the same time, however, production costs have risen tremendously. Wage rates in Puerto Rico are 50 percent higher than in 1931-33. The cost of bags and bagging has more than doubled. Machinery and equipment prices have mounted, and taxes are considerably higher.

The financial statements for the current year in Puerto Rico are not yet available. In the prior year, even with the jump in prices that occurred in the fall, the industry as a whole earned only 2.8 percent on its investment. Preliminary indications are that the current year will show a substantial loss due to reduced production, low prices, and higher costs, thus making the financial status of the producers worse than it was before the start of the control program.

The only way that the sugar industry has been able to survive under the quota system was because certain other areas from time to time have been unable to fill their quotas and because of the temporary suspension of quotas that enabled the island to market its stocks of over-quota sugar acquired prior to and in the early years of the program. These circumstances, however, are nonrecurring in nature and cannot be relied upon in the future. Moreover, because of the sharp increase in wages and other costs, net returns to the industry are little if any better than at the depth of the depression. (See chart No. 2.)

A considerable portion of the loss in the sugar industry in Puerto Rico results from the penalties imposed upon the island by section 304 of the Sugar Act of 1937, which provides a scale-down in refund payments based upon the volume of production. By reason of irrigation, drainage, and other conditions necessary for the successful production of sugarcane in Puerto Rico, much of the sugar in Puerto Rico is produced under large-scale operations. As already pointed out, such growers receive a lower income from sugar, in fact, an income per hundred pounds below the income at the bottom of the depression, and places such producers in a disadvantageous position in competing with foreign areas supplying the mainland with sugar where no such penalties are imposed.

Moreover, the refund payments represent on the average more than the entire earnings of the sugar industry, and the scale-down of these payments leaves the industry without any basis for increasing wages. Any further scale-down in payments would make it impossible for the industry to maintain its present wage scale.

Senator KING. Can I interrupt you?

Mr. DICKEY. Yes.

Senator KING. What change was made in the LaFayette Plantation when it was turned over to the Government to operate? They have not been as successful, have they?

Mr. DICKEY. According to the newspaper account, that appears to be the case. I picked up a newspaper clipping today in which the heading was "New Deal sugar venture flop."

Senator KING. One of the plans devised by some person or persons for the improvement of the tragic situation in Puerto Rico was to have the Federal Government go into the sugar business, and they acquired, at considerable expense, the LaFayette Plantation. I was interested in finding out whether they had been able to successfully operate the plantation.

Mr. DICKEY. As I understand it, Senator, it is in the process of liquidation at the present time.

Senator KING. That is my understanding.

Mr. DICKEY. Statements made by the President of the United States at the time the Sugar Act was being considered, statements made by the Secretary of Agriculture, and analyses made by economists in the United States Department of Agriculture on a number of occasions, as well as statements by well-informed members, supply ample proof that the processing tax was never intended to be passed on to consumers and is not paid by consumers and is not paid by refiners, but by producers of the sugar. Taxes collected on Puerto Rican sugar between September 1, 1937, and December 31, 1939, totaled \$21,138,000. Refund payments made or due for that sugar totaled only \$18,400,000. Thus, the sliding scale of payments deprived the island's producers of \$2,738,000 of their sugar income.

The purpose of the tax is to enable the Secretary of Agriculture to enforce certain provisions with respect to wages, soil conservation, child labor, and so on. The refund of the tax is simply a part of the price paid producers who carry out the rulings of the Secretary, all of which increase costs. Since the refund payment is made not for reducing production and is based on the amount of sugar produced, as is the tax, it is clearly discriminatory to deprive any producer of a part of the price for sugar to which he is entitled by reason of his

production. This applies equally to the scale-down of payments and to any proposed limitation on the size of payments to any one producer. To inflict a penalty of this type upon producers in areas where conditions permit only large-scale operations is class legislation.

In summary, the low quota that we received, plus the low price that has prevailed under this act, plus the scale-down in benefit payments, plus the limitations on sugar refining—all these things have operated to increase unemployment, to decrease the income from sugar, and decrease Government revenues in the island.

Mr. Chairman, if I may submit a brief statement here, that is all I have to say.

Senator KING. I would like to add for the record that the condition in Puerto Rico is very unsatisfactory, if not tragic. Thousands are out of employment, thousands are on relief, and the policies which have been pursued by our Government toward Puerto Rico have contributed to the tragic and unsatisfactory economic and industrial condition in Puerto Rico.

Mr. DICKEY. There was never a truer statement made.

Senator KING. I would like to see some condition brought about and I would like to see the Federal Government adopt some plan that will do justice to the people of Puerto Rico.

Mr. DICKEY. You cannot do it, Senator, as you know, by reducing production.

(The statement submitted by Mr. Dickey is as follows:)

#### MCCORMACK AMENDMENT DISCRIMINATES AGAINST PUERTO RICO

Under the Jones-Costigan Act the continental cane and continental beet areas could sell in raw or refined form all the cane and beet sugar that they were permitted to produce under the production and marketing restrictions of the act; in other words, there was no quota on the refining of any portion of their raw sugar, while the same act established a quota on refined sugar for Puerto Rico and certain of her domestic areas. Thus, for the first time in the history of Federal legislation, discrimination was set up between domestic areas. In effect, the discrimination was in the form of trade barriers, a procedure which has been generally recognized as contrary to the basis of our form of Government and is practically without parallel.

The Sugar Act of 1937 made a definite move toward removing the discrimination against Puerto Rico set forth in the Jones-Costigan Act by ending restrictions on refined sugar after March 1 of this year. Under the 1937 act, there have been no restrictions against Puerto Rico on any portion of the marketing quota that could be sold in refined form after March 1 of this year. Now comes H. R. 9654, containing an amendment which reestablishes this discriminatory condition. This amendment was added on the floor of the House, and not by the committee itself which considered sugar legislation for some 3 or 4 months. The beet grower within the limit of his quota can sell his sugar in any form he so desires. The same thing is true of the continental cane grower. Yet Puerto Rico is restricted. Puerto Rico, of course, cannot subscribe to this kind of treatment any more than could American citizens in other areas.

The question arises—For what reason have the continental sugarcane refiners insisted so strongly on restricting sugar refining in Puerto Rico and Hawaii? Fear of increased competition from those areas cannot be the real reason. The refiners themselves well know that neither Puerto Rico nor Hawaii intends to increase its refining operations to any important extent. The real motive must be a desire on the part of the continental refiners to insure themselves against any increase in sugar from any area, particularly the continental cane and beet areas, unless the sugar passes through the hands of continental refiners. In fact, the executive secretary of the United States Cane Sugar Refiners Association, in an address before the Fort of New York Authority, on May 3, 1940, stated:

"I want to get it into the record, without any equivocation, that the refiners are unalterably opposed to an expansion of the production of beet sugar."

The limitations on Puerto Rico and Hawaii are merely the first steps in this campaign. Once this battle is won, the refiners will go on to place effective restrictions on the rest of the domestic industry.

In their fight to restrict the territories, the refiners charge that they face a tremendous dislocation of employment and that certain States where refineries were located would suffer greatly from reduced income and loss of employment. The fact is that the 14 mainland cane refining units provide employment for only 14,024 workers, according to the 1937 Census of Manufactures. Employment provided by the refineries represents only a fraction of the labor engaged in the sugar industry. A mere 100,000 additional acres planted to sugar beets or sugarcane would provide more employment than the entire cane-refining industry.

That Puerto Rico is at present physically unable to increase its refined output to any important extent, and that the island has no intentions of expanding its refining capacity, are well-established facts. In 1940, a year in which there have been no restrictions for all practical purposes, the island's refined output has been only about 50,000 tons more than formerly was permitted under the quota system. That increase represents only about 1 percent of the volume annually refined by eastern seaboard refiners. In view of the high degree of mechanization in the refined industry, it is absurd to charge that a loss of 1 percent in output would result in any unemployment.

The combined annual capacity of the four refineries on the island, as rated by the Secretary of Agriculture, is 356,484 tons. However, because the refining process is synchronized with the processing of sugarcane, these refineries operate only for about 4 to 6 months out of the year. But even if they were to operate for 200 days, the output would be only about 238,000 tons. Because 30,000 tons are required for local consumption, there would be left only about 210,000 tons to be shipped to the mainland. Thus, even at maximum operation, which has never been attained, shipments would exceed the proposed refined quota by only 75,000 to 100,000 tons.

#### LITTLE LIKELIHOOD OF EXPANSION

Furthermore, there is no likelihood that these shipments will be increased as a result of expansion in the island's refining industry. The island has had 40 years in which to go into the sugar-refining business and it shows no tendency to increase its refined output, except to care for increased local consumption of refined sugar. No new capacity is required to meet local consumption requirements, nor is there any likelihood that this will be the case. The island has learned from experience that the additional expense required to provide refining equipment, which can be operated from only 4 to 6 months in the year, does not justify expansion in refining operations.

Thus, there is little probability of any reduction in employment in mainland refineries because of increased refining operations in Puerto Rico. An increase of from 50,000 to 100,000 tons of refined sugar—only 1 to 2 percent of the total output of continental refineries—certainly offers no serious threat to the workers in that industry or to the communities in which the refineries are located.

The situation has been further complicated by a discussion of wage levels. The minimum wage in Puerto Rican refineries is 30 cents an hour, and ranges upward according to the actual operation of the individual employee. While there are no detailed figures available, it is believed that the wages paid in Puerto Rico are equal to the wages paid in refineries in Louisiana and Georgia. Wages in Puerto Rico, Louisiana, and Georgia may be somewhat less than the wages paid in the congested areas of New York, Boston, and Philadelphia.

But wages alone do not determine the location of refineries. If wages were the all-important factor in the refining of sugar, the refining of sugar would have long since been practically all done in the South. However, the latest sugar-refining plant built on the continent was not located in the South but was located in one of the most congested areas of the world, namely, the area in and contiguous to New York. This particular refinery was built in 1936 after the loss of the export market for refined sugar and at a time when the existing capacity already far exceeded the amount actually refined. To build a new refinery in the metropolitan area of New York indicated definitely that factors other than wages are important to the refining of sugar.

#### PUERTO RICAN REFINERS RECEIVE NO SUBSIDIES

Seaboard refiners have charged that the refiners in Puerto Rico receive a subsidy. This charge is based on the fact that some of those connected with the refining of sugar in Puerto Rico are also raw sugar producers and as such they



receive benefit payments on their raw production. For these payments they reduce their volume of production and carry out the same costly provisions of the Secretary of Agriculture as to soil-conservation measures and wages paid.

The facts are that Puerto Rico shares in the protection system in the same way that the eastern seaboard refiners share in this system. According to the testimony of Dr. Joshua Bernhardt, Chief of the Sugar Division, before this committee when you were considering the Sugar Act of 1937, continental refiners received an effective subsidy averaging \$36,935,000 annually from 1934 to 1936. On this basis, continental refiners received subsidies aggregating about \$221,000,000 during the 6 years sugar legislation has been effective. Refiners in Puerto Rico possibly have received a small share of this effective assistance, but no other.

Continental refiners not only enjoy a greater margin between raw and refined prices on sugar sold in the domestic market than they do on that sold in the world market, but are accorded other advantages under sugar legislation. The principal of these is the provision of the present Sugar Act limiting imports of refined sugar from the principal competing foreign country to 375,000 short tons, raw value. The second advantage is the limitation upon the importation of refined sugar from the Philippine Islands to 50,000 long tons imposed by the Tydings-McDuffie Act. The third way in which refiners benefit from existing sugar legislation is the limitation upon the importation of liquid sugar which, until restricted, tended to replace the refined product. The refiners' fourth gain from sugar legislation was the limitation upon the beet sugar output which prevented domestic producers from replacing any of the foreign cane sugar bought and refined in this country.

It should be understood that Puerto Rico has no quarrel with the continental cane sugar refiners. The island has supplied these refiners with sugar for 40 years and has taken whatever price they offered. Moreover, it expects to continue this relationship. The continental refiners should be our best friends, but, regardless of their attitude toward Puerto Rico, the island will fight to the last ditch, as would any self-respecting area under the American flag, against any unjust discrimination.

#### THIS DISCRIMINATION IS WITHOUT PRECEDENT

With Puerto Rico, the right to refine any part of its raw sugar is a matter of fair and equal treatment to which all American citizens are entitled. The discrimination against Puerto Rico is without a parallel in the history of United States relations with territorial areas. President Roosevelt, in commenting upon this point in his letter to the Hon. Marvin Jones, chairman of the House Agricultural Committee, on April 11, 1940, stated:

"Such a course of action, as I have pointed out on a previous occasion, would be tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy. Among the cases in point is the proposal to reinstate the former discrimination against the refining of sugar in the insular parts of the United States."

Though in itself confined to sugar refining, this provision of the bill, as amended and passed by the House, affords an initial wedge which would undoubtedly encourage other mainland industries to impose still further discriminations and economic barriers against territorial areas. This, if continued, would completely destroy the economy of Puerto Rico. But, much more than this, it would simply amount to establishing one set of rights for one group of American citizens and another set of rights for another group of American citizens.

In conclusion, I would like to correct a few erroneous impressions in regard to the sugar industry in Puerto Rico resulting from misinformation and misinterpretation of facts by some who either are not well acquainted with the sugar situation in Puerto Rico or are seeking to misinform.

#### INDUSTRY IS LARGELY OWNED LOCALLY

The sugar industry in Puerto Rico has quite often been pictured as one controlled by a few individuals or corporations with headquarters on the mainland. The facts are that the sugar industry in Puerto Rico is largely locally owned and operated. More than 86 percent of all the sugar land in Puerto Rico is owned by residents of the island. Only 12.6 percent is owned by residents of the United States, and only 1.3 percent by foreign countries. The properties are operated by partnerships, by individuals, by corporations, by families, and by the Federal Government. Most of the land is owned by individuals. Mill plantations own only 20.4 percent; individuals in no way connected with mills, 68.1 percent, and

individuals and partnerships interested in mills but operating farms independently, 11.5 percent.

The lands are operated in units of from a few acres per farm to as much as five or six thousand acres per farm. The large units are not the result of the combination of small units, but are the result of old established large holdings of land formerly idle or used for pasture. Generally these holdings, when planted to sugarcane, required irrigation or drainage, which can be done successfully only through large-scale operations. These holdings were never in small units. On the other hand, there has been a rapid increase in the number of small farming units growing sugarcane until now there are about 11,000 farming units of 50 acres or less growing sugarcane, of which 5,000 are in units of 10 acres or less.

Growers independent of the mills produce a larger percentage of the cane in Puerto Rico than in Louisiana, Hawaii, or Florida. The sugar industry in Puerto Rico is owned and operated under more different forms of organization than the sugar industry of any other domestic area, while the size of the individual unit varies from a few acres in cane up to five or six thousand acres of cane on irrigated or drained lands. Practically the only change that has taken place in the organization or ownership of the sugar industry in the last 20 years has been a tremendous increase in the production of sugarcane on small holdings. This has been made possible by transportation facilities developed by the industry itself.

Inferences have been made by some to the effect that wages are lower in Puerto Rico than on the mainland. So far as the sugar industry in Puerto Rico is concerned, wages in the field must be approved by the Secretary of Agriculture in the same way that they must be approved for other domestic sugar-producing areas. In the factory minimum wages are established by the Wages and Hours Act.

Based on rates of pay for the various field operations as established by the determination of the Secretary of Agriculture between sugar-cane areas on the mainland and Puerto Rico, there is very little difference in the hourly wage rate. Tractor drivers in Puerto Rico get 21.3 cents per hour and those in Louisiana and Florida get 21 cents per hour. Workers loading cane in the cars get 18.1 cents per hour in Puerto Rico and 20 cents in Louisiana and Florida. Teamsters get 17.3 cents in Puerto Rico and 20 cents in Louisiana and Florida. Cane cutters get 15.1 cents in Puerto Rico and 13 cents to 17 cents in Louisiana and 18 cents to 22.5 cents in Florida; the lower rates in the case of Louisiana and Florida are the rates established for women workers. So that there is very little difference in the wage scale as established by the Secretary of Agriculture for the different sugar-producing areas.

#### INDUSTRY OBSERVES 8-HOUR DAY, COLLECTIVE BARGAINING

The principal difference in working conditions in Puerto Rico and the mainland lies in the fact that wage rates for both mill and field labor are established by collective bargaining in Puerto Rico. Puerto Rico is the only sugarcane area operating under such conditions and it has more agricultural workers covered by wage agreements than any other agricultural area in the world. Working conditions, as well as rates for 25 kinds of work, are specified in the collective-bargaining contract.

Not only do wage rates in the sugar industry in Puerto Rico compare favorably with the sugar industry of the mainland, but wage rates on sugarcane farms are equal to or substantially above those for agricultural labor of the entire South. For example, the hourly wage rate for farm labor on sugarcane farms in Puerto Rico is 14.6 cents as compared with 12.3 cents in West Virginia, 9.8 cents in North Carolina, 7.9 cents in Mississippi, and 6.8 cents in South Carolina.

The only point in which labor conditions in Puerto Rico differ from those in the mainland in which earnings are affected is in the fact that contract or piecework on sugarcane farms is forbidden in the collective bargaining agreement between the sugar producers and labor. This is done, of course, to insure that the work will be spread among as many laborers as possible. However, its effect is to discourage the efficiency of workers. Even though one man may do more work in 1 day than another, so long as each one is on the job for 8 hours, they both get the same pay. In view of the fact that as many workers must be given employment as possible in any given week, there is no opportunity for selecting the better workers. In contrast, the piece work or contract work largely predominates in the mainland sugar-producing areas. Where the piece work or contract arrangement dominates, the earnings per day may be higher than in areas where the piece-work basis is not permitted. However, the outlay or cost of labor per ton of sugar may be as high or higher in the areas where no piece work is practiced

and daily earnings somewhat less than in areas where the work is largely done on a contract basis, thus encouraging higher earnings per day.

Working conditions in the sugar industry in Puerto Rico are characterized by an 8-hour day in both field and mill, prohibition of child labor, no women workers, free housing, workmen's insurance for both mill and field workers, and numerous laws protecting labor.

#### REFUND PAYMENTS TO GO TO GROWERS, NOT BANKERS

One other statement to which some credence has been given is a statement made by Dr. Ernest Gruening, former head of the Division of Territories and Island Possessions, before the Senate Finance Committee. In this statement Dr. Gruening said that a large share of the Government payments went to banks. The facts in the case are that no payments have been made to banks except for the first year of the Government-control program in which year the payments were greatly delayed, necessitating some producers borrowing money from banks in anticipation of payments in order to carry on their operations. Even the few payments made to banks in this one year were not made to banks as producers but were made to banks because producers assigned their payments as collateral for loans in order to carry on their farming operations. This correction is established in a letter issued by the Agricultural Adjustment Administration's officer in charge of the sugar program in Puerto Rico. In a letter dated June 8, 1940, addressed to the Sugar Producers Association, he says:

"As up to 1940, our records show no banks as producers of sugarcane in their own rights. I think we can properly say that we have made no payments to banks corresponding to any crop year since 1935."

Government payments under the control program have gone direct to the producer based on the amount of sugar that he produced, just as they have done in all other sugar-producing areas.

The CHAIRMAN. Mr. Pagán.

#### STATEMENT OF HON. BOLÍVAR PAGAN, RESIDENT COMMISSIONER OF PUERTO RICO

The CHAIRMAN. Mr. Pagán, I called you a moment ago and you did not respond.

Mr. PAGÁN. I would like to make a few remarks.

Mr. Chairman, and members of the committee:

As Resident Commissioner from Puerto Rico and as president of the island's labor party, I have a deep interest in this proposed legislation because of its disastrous effect on employment, government revenues, and total income in Puerto Rico.

The island's sugar industry is more important than all other industries combined from those standpoints. This one industry directly and indirectly accounts for nearly two-thirds of all insular income and for more than half of all employment. When workers are thrown out of employment as a result of restrictions on sugar production and on sugar refining, they have no other place to turn for work. There are no other jobs available.

The legislation being considered here today restricts Puerto Rico's sugar quota to a level 244,000 tons below the production attained in the last year before the quota system was adopted. That means 30,000 laborers thrown permanently out of work in an island where the per capita income is lower than that of any State, where more than 200,000 workers are permanently unemployed.

Here in continental United States, labor can look with some confidence to a future in which more jobs will be available as a result of industrial and agricultural progress. But in Puerto Rico, labor is limited to a handful of industries, all of which are either depressed by

market conditions or restricted by Federal legislation. Desperate attempts to establish new sources of employment have either failed or succeeded on a very small scale. If our people are to be self-supporting and enjoy the barest necessities of life, increased sugar production is their only hope. Holding the island down to the present low level of sugar production means that our unemployed must remain permanently out of work.

Until these drastic restrictions were established, labor was making good progress in Puerto Rico. We adopted an 8-hour day for all workers, and are the only sugar-producing area in the world where agricultural labor is restricted to an 8-hour day. Wages are established through collective bargaining. Labor disputes are settled for the most part by orderly bargaining or by arbitration. We have a model workman's compensation insurance law, superior to that of most of the States. Child labor is forbidden; women are not employed. Wage rates in the last 7 years have risen more than 50 percent, until the hourly wage rate in our sugar industry is higher than the average hourly wage paid to farm labor in most of the Southern States.

Thus, in spite of our low income and limited resources, we have gone far on the way to improving conditions for the workingman in our little island. But all of our progressive laws and labor policies mean little to the thousands who have no jobs.

The proposed restrictions on sugar refining are doubly objectionable because they not only limit the amount of employment on the island but also constitute an unjust form of discrimination against Puerto Rico. Along with Hawaii, we are the only domestic sugar-producing areas denied the privilege of refining their sugar. To accept this discrimination would set up a precedent for proposing similar restrictions against our other few industries.

These restrictions on employment are far more serious to Puerto Rico than to other domestic sugar areas, for Puerto Rico is far more dependent on sugar than any other area and is faced with a far more serious problem of unemployment. As the representative of the island's laborers, I ask that the committee do everything in its power to increase employment in our island instead of restricting it.

I thank you.

Senator KING. Mr. Pagan, what do you say ought to be done, in the light of the adjournment or recess of Congress in the near future and the fact that Congress will meet in January to take up important legislation of all kinds? Do you think it would be wise or unwise to attempt to deal with this important question now?

Mr. PAGÁN. Well, we have a very limited quota. When these quotas were fixed, they took into consideration the production of sugar in the previous 7 or 8 years in Puerto Rico. Well, we had had two hurricanes, and drought, and other conditions, so they fixed a quota very low, nearly 300,000 tons less than the average production of Puerto Rico.

Senator KING. I always felt that the limitation prescribed there was unfair to Puerto Rico. I still think so.

Mr. PAGÁN. It is completely unfair.

Senator KING. Your island has so many obstacles and so many difficulties, some of which are imposed by reason of Federal legislation, that I have very profound sympathy for the good people of Puerto Rico.

Mr. PAGÁN. I thank you very much.

Senator KING. I wish it was in my power to help you and your people. I have been there frequently, as you know.

Mr. PAGÁN. I know that.

Senator KING. As a member of the committee that has had to deal with Puerto Rico, I have been cognizant of the injustice to which you have been subjected, and the unfortunate situation, economically and industrially, by which you are afflicted today.

Mr. PAGÁN. Thank you very much.

The CHAIRMAN. Mr. Arthur L. Quinn. Mr. Quinn represents certain refining interests in Puerto Rico.

#### STATEMENT OF ARTHUR L. QUINN, REPRESENTING CERTAIN REFINING INTERESTS IN PUERTO RICO

Mr. QUINN. Mr. Chairman, and gentlemen of the committee: I represent the largest refining factory in Puerto Rico, the Porto Rican-American Sugar Refinery, Inc., of Ponce, P. R. The McCormack amendment reinstates and checks Puerto Rico at 126,033 tons of sugar which it can refine and ship to the continental market.

Senator KING. Is that in the Sugar Act?

Mr. QUINN. That is in the amendment offered by Mr. McCormack on the floor.

I would just like to point out briefly what this continuing resolution does, what protection it gives to the continental refiners without the benefit of the McCormack amendment. It gives the following protections:

Cuba is checked at 375,000 tons of sugar which it can refine and ship into this market.

The Philippines is checked at 70,000 tons.

Foreign countries other than Cuba are checked at zero, and liquid sugars are checked from Cuba, and by virtue of that it means that the continental refiners, because liquid sugars are direct consumption sugars, benefit to that extent.

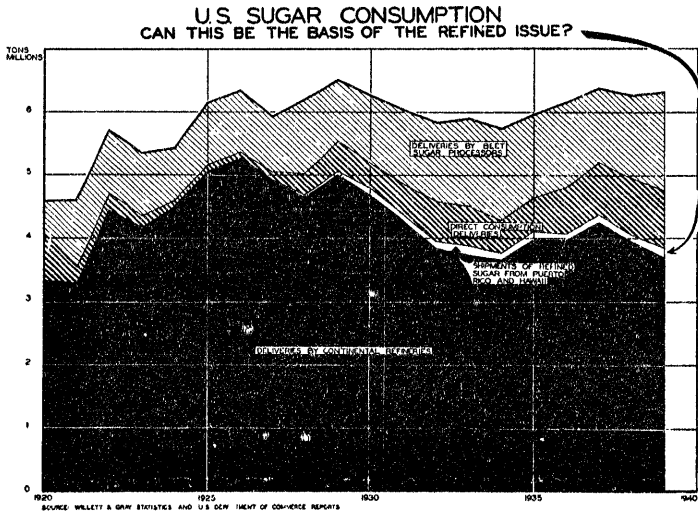
Now there are 27 cane refiners in the continental United States, and they employ 14,133 persons, or an average of 523 for each refiner. This figure was put out as late as September 11, 1940, by the Department of Commerce.

I would like to quote just briefly what Admiral Leahy has to say about this situation. He made a statement in July of this year in which he said the following:

We must now devise some means of making our island capable of self-support. We must strive for diversification of industry and agriculture; for the growing of our own foodstuffs. We must make our island capable of withstanding prolonged isolation from the mainland. Much could be done along this line, if those who impose restrictions on the island's industry will realize that the passage of laws which curtail the export of the only crops we are capable of producing, works a hardship on the people of Puerto Rico who are, like themselves, citizens of the United States.

I would like to just add another word, and that is that the President has intimated in very strong language that he would veto a bill that was presented to him with refining restrictions against Puerto Rico and Hawaii. The tantamount effect of these restrictions means that it gives congressional sanction to a monopoly which has been condemned by the Supreme Court in a very strong decision, and I ask you to reject the McCormack amendment and eliminate it from the bill.

I would like permission, Mr. Chairman, to file a statement, together with a chart showing what this fight is all about. This chart, this little space here [indicating], is the issue that has continuously come before your committee, and it would appear, looking at it from the standpoint of this chart alone, that there is something radically wrong in



making this very small amount of refined sugar an issue continuously before this committee.

Senator KING. If you were permitted to refine your own product, that would give employment to a very considerable number of people?

Mr. QUINN. I will be very frank about it. The refining industry is highly mechanized, there is no getting away from it, but Puerto Rico's condition is such that it needs every bit of employment it can gain. Puerto Rico is the most densely populated section of the United States.

Senator KING. You have nearly 2,000,000 people?

Mr. QUINN. Yes.

Senator KING. 1,860,000?

Mr. QUINN. Yes; the latest census shows close to 2,000,000.

Thank you very much. I am filing herewith an extended statement for the record.

(The brief of Mr. Quinn is as follows:)

BRIEF OF ARTHUR L. QUINN

My name is Arthur L. Quinn. I appear, Mr. Chairman and gentlemen of the committee, on behalf of Porto Rican American Sugar Refinery, Inc., the largest refined sugar interests in Puerto Rico, in opposition to that part of the McCormack amendment to the Cummings sugar bill (H. R. 9654) which reimposes restrictions on shipments of refined sugar from Puerto Rico to continental United States to 126,033 out of the island's continental quota of 800,000 tons.

INTRODUCTORY

Puerto Rico was taken into the United States family in 1898 by force of arms<sup>a</sup> as a result of the conflict between the United States and Spain.

The United States Congress by congressional mandate in 1917 extended full American citizenship to all inhabitants of the island possession. The inhabitants accepted this privilege. This privilege was extended at a time when the United States was seeking manpower for an expeditionary American Army.

Congress is presently considering legislation to provide for assembling, equipping, and training the manpower of the United States for defense of the Western Hemisphere. Of course, Puerto Rico as part of the United States will, like the rest of the Nation, be affected by draft legislation, in fact by all defense legislation. The Federal Government has the right to exact duty from the inhabitants of Puerto Rico because they are citizens of the United States, and as such, callable to duty if the Federal Government beckons. In other words, if such a call is made, the American citizens of Puerto Rico are involved just as realistically as if they resided in New York or San Francisco, Calif.

Puerto Rico as part of the United States is likewise subject to other Federal legislation such as the Wage and Hour Act, the coastwise laws, the Labor Act, and practically all general laws of the United States. It would seem unnecessary to discuss the foregoing, but a full realization of these facts must exist in the minds of the Congressmen and Senators; otherwise petitioning or pleading Puerto Rico's cause is lost. It is elementary yet fundamental; treated passively yet of the utmost importance. Systematic attention to these very patent facts is essential in order that the justice of Puerto Rico's pleas be listened to intently and acted on sympathetically and justly by Congress.

We ask no special favor in the matter of sugar legislation; we only ask for fair play. Puerto Rico asks that it receive treatment all the way down the line, in the matter of sugar legislation, of the same type and caliber that sugar-producing areas in continental United States receive. With these fundamental thoughts before you, we now come to the:

QUESTION PRESENTED

The question is again put up to this committee by the insertion of the McCormack amendment into the Cummings bill (H. R. 9654), whether Congress believes the domestic area of Puerto Rico shall be restricted with respect to its manufacturing operations when no corresponding restrictions are placed upon the same operations of mainland domestic areas.

From March 1, 1940, Puerto Rico has been free from these restrictions, free from this discrimination. The Cummings bill as introduced and reported to the House of Representatives by the House Committee on Agriculture, after careful and lengthy consideration, was likewise free of restrictions on refined operations in Puerto Rico. Congressman McCormack of Massachusetts called up his amendment on the floor of the House when the Cummings bill was considered in that Chamber, and amendments putting back restrictions on refined operations in Puerto Rico were adopted. They are in the bill before this committee. The amendments restrict Puerto Rico to 126,033 short tons in the preparation of refined sugar in that island for shipment to and consumption in the mainland American market.

POSITION OF PUERTO RICAN REFINED SUGAR INDUSTRY

The refined sugar industry of Puerto Rico respectfully request the complete removal of these restrictions from the Cummings bill. There is absolutely no justification for these restrictive amendments, logically or otherwise. It is purely a question of principle presented to this committee, namely, whether the com-

mittee believe the domestic area of Puerto Rico shall be restricted with respect to the last part of the processing; that is, the refining of raw sugar obtained from sugarcane, whereas elsewhere in continental United States sugar may be processed to the full extent of established quotas.

#### WHO REFINES CANE (RAW) SUGAR CONSUMED BY CONTINENTAL UNITED STATES

The question is frequently asked, what the various groups get out of this bill. Here is the answer insofar as the refining process is concerned.

It is estimated by the Department of Agriculture that the American public will consume this year approximately 6,600,000 short tons of sugar. Of the 6,600,000 short tons to be consumed this year, about 1,550,000 short tons will be beet sugar, grown wholly within continental United States; the balance will be derived from sugarcane. Therefore, it is estimated that approximately 5,050,000 short tons of cane sugar will be consumed this year in continental United States. This cane sugar is for the most part supplied by Louisiana, Florida, Puerto Rico, Hawaii, Philippine Islands, Cuba, and a few thousand tons from Virgin Islands. We now come to the question of who refines this raw sugar derived from sugarcane grown in those areas. The process of refining for human consumption, the 5,050,000 short tons of cane sugar referred to, is, under the bill before you, distributed among the following groups approximately as follows:

	<i>Short tons raw value</i>
(a) Cane refineries located on the mainland.....	4, 449, 000
(b) Cane refineries located in Cuba.....	375, 000
(c) Cane refineries located in Puerto Rico.....	126, 000
(d) Cane refineries located in Philippines.....	70, 000
(e) Cane refineries located in Hawaii <sup>1</sup> .....	29, 600
<b>Total.....</b>	<b>5, 050, 000</b>

<sup>1</sup> 28 out of 38 Hawaiian sugar plantations in Hawaii own and operate what is known as the C. & H. (California & Hawaiian) Refinery, located at Crockett, Calif. This refinery annually refines nearly two-thirds of the Hawaiian sugar crop which moves into the American market. This amounts to about 650,000 short tons of sugar. Located on the mainland, the C. & H. operations, of course, are not restricted. The refining operations of the same industrial interests, however, located in the Hawaiian Islands, are restricted in their final preparation of cane sugar for mainland market to 29,600 short tons of cane sugar.

That is the picture of what the fight is all about, namely, who will finally prepare the sugar, raw cane sugar that the American continental market consumes; whether or not refining of sugar shall be authorized by Federal law to become a monopoly in the hands of a few eastern seaboard manufacturers. The eastern seaboard refiners, through whose efforts the McCormack amendments were adopted, insist that the process of refining all the cane sugar, wherever grown, that the American public consumes belongs to them, thus setting the stage for a monopoly and destruction of competition from cane refineries located in other parts of the United States, all of which would vitally affect the American consuming public.

#### ARGUMENTS USED BY EASTERN SEABOARD REFINERS IN ATTEMPTING TO SUSTAIN POSITION OF CURTAILMENT OF REFINING OPERATIONS IN PUERTO RICO

1. *Labor.*—(a) It is argued that the refining of sugar in Puerto Rico curtails employment in continental United States. Despite its size, the industry employs comparatively little labor. At no time since the records have become available has the average number of employees in cane refineries exceeded 18,200. (See table below.) Moreover, the total wages paid those employees have in no year amounted to more than \$22,700,000. Even these figures apply to the year 1919, at which time the industry was operating under abnormal conditions resulting from the war. In 1937, the latest year for which comparable data are obtainable, the average number of wage earners totaled 14,024, and the amount of wages paid, \$15,973,000. Thus, contrary to certain claims, the social significance of the industry is relatively slight.

#### *Average number of wage earners, Continental cane-sugar refining industry, 1909-37*

Year:	Number	Year:	Number
1909.....	9, 399	1927.....	13, 996
1914.....	11, 253	1929.....	13, 912
1919.....	18, 202	1931.....	11, 855
1921.....	15, 457	1933.....	11, 495
1923.....	15, 254	1935.....	13, 832
1925.....	14, 502	1937.....	14, 024



(Compiled from Census of Manufactures, U. S. Department of Commerce.)

(b) It is further argued that the mainland refining industry has suffered great injury through expansion of refining facilities in Puerto Rico and so-called tropical areas. The growth of the refining industry in Puerto Rico has been a normal one. By what logic should competitors located elsewhere in the United States seek congressional sanction to stifle and snuff out that growth? The truth of the matter is that the mainland cane refining industry is suffering from overexpansion, wartime overexpansion, and not abnormal growth of refining in Puerto Rico. The continental refiners' capacity is far in excess of the entire consumption requirements of the United States. At no time have these requirements approached the capacity which existed at the very peak of refining activity. Even were the entire refined market to revert to continental cane refiners, the present capacity would exceed total consumption in the United States by as much as 1,700,000 tons.

(c) *Wages.*—Wages in the refining industry of the United States are not uniform. The wage-and-hour law extends to and covers the refining industry in Puerto Rico as it does other parts of the United States. The industry in Puerto Rico is conforming to that law. It pays as a minimum a wage fixed as a standard minimum for all industrial labor in all of the United States. It is a wage that fits into the American standard. Through the high-powered pressure efforts of the eastern seaboard refiners, Congress, particularly the House of Representatives, has been deluged with countless petitions and resolutions referring to tropically produced refined sugar—competing with American refined sugar; referring to cheap tropical labor and other all-inclusive statements, the very intent of which is to include and disparage Puerto Rican labor, which, it cannot be denied no matter what phrase is employed, is American labor armed with every right and entitled to every consideration that American labor in New York, Massachusetts, New Jersey, or anywhere else in the United States is entitled to at the hands of the Federal Government. The labor employed in the refineries of Puerto Rico is not cheap tropical labor, if you please. It is American labor engaged in an American industrial enterprise; labor guaranteed and paid under congressional mandate a minimum wage of at least 30 cents an hour and any attempt to include such American labor into group phrasing that would infer and imply that all labor in the Tropics is foreign and cheap is a deliberate and subtle move to mislead Members of Congress for selfish motives.

From an operating standpoint, the refining industry is characterized chiefly by a large investment in buildings and equipment. As a result, wages represent only a small part of the value of the total output. In no year have wages exceeded 4.2 percent of the total value of output, nor have they amounted to as much as 50 percent of the value added in manufacture exclusive of raw materials. In 1937 wages represented only about 25 percent of the total value added in manufacture.

Wages paid labor by the cane-sugar refining industry represent a smaller part of the total value of output than is the case in virtually any other food industry. Out of 10 leading food-processing industries with a combined volume of business in excess of \$8,600,000,000 the ratio of wages to value of output in 1937 was less for the cane-sugar refining industry than any other save the processing of dairy products. Manufacturers of bakery products, alcoholic and nonalcoholic beverages, confections, canned fruits and vegetables, ice cream, meat products, and flour and cereals, all paid out to labor a great portion of their gross incomes. Indeed, the average for all these 10 industries combined was 9.5 percent, as against 3.8 percent pertaining to cane-sugar refining (compiled from the Census of Manufactures, 1937, U. S. Department of Commerce).

2. *Subsidies.*—It is argued that certain Puerto Rican refiners who are also raw sugar producers have received substantial price benefits, subsidies from the Federal Government and that they are competing against a mainland refining industry which receives no price benefits or subsidies. Let us look at the record on this point. The refiners in Puerto Rico are not paid subsidies. Some of them are producers of raw sugar and conforming to the program of the Department of Agriculture, they receive refund payments. These payments are made to all domestic producers of sugar, beet and cane alike. They represent a refund of the taxes paid on the sugar they, as producers, produce, and are paid upon the fulfillment of provisions of the Sugar Act which among other things requires (1) certain wage rate; (2) soil maintenance, and (3) payment by mills of stipulated amounts for cane purchased from other growers, etc.

Anyone asserting that refiners in Puerto Rico are subsidized in that they happen to be producers of raw sugar also is either ignorant of the workings of the sugar program or deliberately bent on misleading others.

What are the facts on the other side? Some of the eastern seaboard refiners are also raw sugar producers. They own sugar centrals in Cuba. On this raw

sugar they are permitted to ship from Cuba to the United States, by virtue of having their own producing properties in Cuba, they receive a preferential duty rate over sugar from other foreign countries other than Cuba.

In addition, as Dr. Bernhardt, Chief of the Sugar Section, Department of Agriculture, testified before this committee in 1937, the continental cane refiners received, on the quantity of sugar delivered by refiners for domestic consumption, an aggregate differential over and above the margin they would have obtained in the world market for the years 1934 to 1936, inclusive, amounting to a subsidy in their favor totaling for those 3 years \$110,804,940. This is a real subsidy and was so referred to and labeled as a subsidy. Witness the testimony of Dr. Bernhardt as it appears on page 171 of the Senate 1937 sugar hearings.

3. *Protection*—(a) *Cuba*.—Under the Cummings bill even without the McCormack amendments, the eastern seaboard refiners are protected against Cuba in that Cuba is limited to 375,000 short tons refined for shipment to the United States. The continental refiners want, in addition to freezing the Puerto Rican refining operations, the Cuban refined quota of 375,000 short tons substantially reduced and eventually eliminated.

(b) *Philippines*.—Under the Cummings bill, without the McCormack amendments, and existing Federal legislation affecting the Philippines, the eastern seaboard refiners are protected against the Philippines in that the Philippines under the Independence Act are limited until 1946 at least to approximately 70,000 tons of refined sugar for shipment to the continental United States market.

(c) *Foreign countries other than Cuba*.—Under the Cummings bill, without the McCormack amendments, the eastern seaboard refiners are protected against refined sugar coming in from foreign countries other than Cuba. Cuba is the only foreign country permitted to ship refined sugar into the United States market.

(d) *Liquid sugars*.—Under the Cummings bill, without the McCormack amendments, the eastern seaboard refiners also receive protection against displacement of their products by quotas fixed on liquid sugars.

However, in addition to all this protection, the eastern seaboard refiners want Puerto Rico, by adopting the McCormack amendments, kept at the level of 126,033 short tons refined sugar, and no more, for the continental United States market. They have also gone on record publicly as wanting no further expansion of the production of beet sugar in continental United States. Witness the statement of Dr. John E. Dalton, former head of the Sugar Section of the Department of Agriculture and now assistant to the president of the National Sugar Refining Co.; also executive secretary of the United States Cane Sugar Refiners Association, at a conference called by the Port of New York Authority at New York City on May 13, 1940, when he stated the beet-sugar industry was hurting them (eastern sugar refiners) to the extent that "without any equivocation" they (eastern seaboard refiners) "are unalterably opposed to an expansion of the production of beet sugar." In other words, the eastern seaboard refiners want to be protected against everyone, both domestic and foreign, and want Congress in the instant case to sanction this protection for them and start them on the monopoly road again by applying the freezing process against Puerto Rico in adopting the McCormack amendments.

#### PRESIDENT'S POSITION ON RESTRICTIVE DISCRIMINATING SUGAR LEGISLATION

In 1937 the President, at the time he signed the 1937 Sugar Act, said:

"It is with regret, therefore, that I find that the Congress has accorded a status quo continuation of this seaboard refinery monopoly for 2½ years to come. The bill in this respect gives only one ray of hope—for it provides that this refining monopoly shall terminate on March 1, 1940. \* \* \*"

The President clarified his position further in signing the 1937 Sugar Act by stating:

"Senators representing the great majority of continental sugar producers have given me assurances, and similar assurances have been given by responsible leaders of the House of Representatives to this effect—They recognize the fact that Hawaii and Puerto Rico and the Virgin Islands are integral parts of the United States and should not be discriminated against, and when the Sugar Act of 1937 comes up for renewal they will endeavor to deal with the question of refined sugar quotas in a separate measure.

"In view of these assurances, therefore, I am approving the bill with what amounts to a gentlemen's agreement."

As late as April 11, 1940, the President clearly expressed himself with regard to the pending bill. He said:

"It is also clear that a reshuffling of domestic quotas so as to discriminate against producers in the domestic insular areas, would, under the special circum-

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

There is little doubt, therefore, of the attitude of the President with regard to the discriminatory effect of the language in the McCormack amendments to the Cummings bill.

He has stated his position clearly and emphatically and he leaves little doubt in the minds of those genuinely interested in (agricultural) sugar legislation, that legislation placed before him with restrictions on refined shipments from Puerto Rico and Hawaii will be met with his veto. No other logical interpretation can be gained from his statements.

**THE CUMMINGS BILL (H. P. 9654) IS AN AGRICULTURAL MEASURE—WHY PERMIT ITS PRIMARY PURPOSE TO BE CONFUSED WITH A PURELY INDUSTRIAL PROBLEM**

Continental refining interests should not be allowed to dominate and sabotage this agricultural bill. Let Congress listen to their alleged grievances, but let it be done under separate, distinct, legislation; not in the amended form in which the bill now appears. It is well to repeat again what the President of the United States said in regard to this at the time he signed the 1937 Sugar Act;

"\* \* \* and when the Sugar Act of 1937 comes up for renewal they will endeavor to deal with the question of refined sugar quotas in a separate measure."

**COMMERCIAL IMPORTANCE OF PUERTO RICO TO CONTINENTAL UNITED STATES**

In the fiscal year just ended Puerto Rico's purchases of goods from business concerns in continental United States set a new high record. The shipments from continental United States to the island for 1 year totaled \$100,500,000. Little argument is necessary to convince any member of Congress of the importance of this trade. This trade is inter-United States trade between areas that are all part of the American economy. It is an exchange of commerce between United States areas and the balance is in favor of continental United States by close to \$10,000,000. This fact is not to be overlooked or considered lightly. It is becoming more important each year.

**PUERTO RICO'S GEOGRAPHIC POSITION OF EXTREME IMPORTANCE TO CONTINENTAL UNITED STATES IN CURRENT AND FUTURE DEFENSE PROGRAMS**

Every citizen in continental United States feels more secure today in knowing and realizing that this country has an island situated approximately one thousand five hundred miles southeast of Florida, which is American soil. This island is being turned into a Gibraltar. The Army and Navy have undertaken an extensive program of fortification of Puerto Rico, having in mind the extreme value of that island as a protection against attack on the Panama Canal and adjoining territory. It is heartening to think and indeed in this day of swift communication it is comforting to know that we have an island such as Puerto Rico which will afford us a base of naval and military operations which will prove invaluable as testified to by the highest authorities in our Army and Navy.

The people of Puerto Rico are proud that the United States Government has stepped into that island through its armed forces and are fortifying it, not only as a protection to the island itself but particularly for the protection which this base of operations will give the armed forces of the United States, the Panama Canal and the southeastern coast of continental United States.

The President has taken the most outstanding naval authority in the United States and placed him as Governor of that island. He has not done this just to give Admiral Leahy a job. It is obvious he has done this principally for defense reasons. The admiral is a very capable executive. He has shown that on many occasions. But he is by far one of the most outstanding naval authorities that

we have to depend on today. His task will be fraught with failure if Congress proceeds to enact discriminatory legislation that would destroy the livelihood of the citizens of that island, and such a course, as the President pointed out, "Would be tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy."

The people of Puerto Rico are with the United States 100 percent in its defense program and all national legislation, and Congress should go along with them 100 percent and show them that it does not intend to deny them that to which they are entitled, along with all the other American citizens.

Rejection of the McCormack amendments affords Congress the opportunity to demonstrate that no group of American citizens, wherever located, are to be denied equal treatment; that they, along with every other citizen of the United States, will be treated alike.

*Census of manufactures, 1939, cane-sugar refining*

Cane-sugar refineries reported slight increases in employment and wages, and a moderate decrease in production for 1939 as compared with 1937, according to preliminary figures compiled from returns of the Census of Manufactures for 1939, released today by Director William Lane Austin, Bureau of the Census, Department of Commerce.

This industry, as constituted for census purposes, includes establishments in the United States, exclusive of outlying possessions, engaged in the refining of raw cane sugar, the greater part of which is imported. (The manufacture of cane sugar in sugar mills is covered by a separate classification.)

The 1939 Census of Manufactures is the first census for which employees of cane-sugar refineries who are primarily engaged in distribution or construction activities have been called for separately on the schedules. It is not known how many of the wage earners reported in 1937 were engaged in distribution and construction and how many were engaged in manufacturing. Employees of the refineries reported as engaged in distribution and construction activities for 1939 are not included in this preliminary report but will be included in the final report.

The wage earners, primarily engaged in manufacturing, employed in this industry in 1939 numbered 14,133, an increase of 0.8 percent over 14,024 reported for 1937, and their wages, \$16,196,690, exceeded the 1937 figure, \$15,973,300, by 1.4 percent.

The value of products of the industry for 1939 amounted to \$384,412,492, which was a decrease of 9.5 percent compared with \$424,630,784 reported for 1937.

Summary statistics for 1939 and 1937 are given in table 1. Detailed statistics on production and amounts of raw sugar treated are given in table 2. All figures for 1939 are preliminary and subject to revision.

TABLE 1.—*Summary for the industry: 1939 and 1937*

[Because they account for a negligible portion of the national output, plants with annual production valued at less than \$5,000 have been excluded since 1919]

	1939	1937	Percent of increase or decrease (—)
Number of establishments.....	27	23	(1)
Salaried personnel <sup>2</sup> .....	1,706	1,694	0.7
Salaries <sup>2</sup> .....	\$3,820,757	\$3,968,813	-3.7
Wage earners (average for the year) <sup>4</sup> .....	14,133	14,024	.8
Wages <sup>3</sup> .....	\$16,196,690	\$15,973,300	1.4
Cost of materials, supplies, fuel, purchased electric energy, and contract work <sup>5</sup> .....	\$202,917,795	\$362,652,680	-19.2
Value of products <sup>2</sup> .....	\$384,412,492	\$424,630,784	-9.6
Value added by manufacture <sup>5</sup> .....	\$91,494,697	\$61,978,995	47.6

<sup>1</sup> Percent not computed where base is less than 100.

<sup>2</sup> No data for employees of central administrative offices are included.

<sup>3</sup> Profits or losses cannot be calculated from the Census figures because no data are collected for certain expense items, such as interest, rent, depreciation, taxes, insurance, and advertising.

<sup>4</sup> The item for wage earners is an average of the number reported for the several months of the year and includes both full-time and part-time workers. The quotient obtained by dividing the amount of wages by the average number of wage earners should not, therefore, be accepted as representing the average wage received by full time wage earners.

<sup>5</sup> Value of products less cost of materials, supplies, fuel, purchased electric energy, and contract work.

TABLE 2.—*Products, by kind, quantity, and value, and amounts of raw sugar treated, by place of origin: 1939 and 1937*

[The figures in this table refer to the cane-sugar refining industry in the United States exclusive of outlying possessions]

	1939	1937	
<b>PRODUCTION <sup>1</sup></b>			
Total value.....	\$384, 412, 402	\$424, 630, 784	
Refinery products.....	\$383, 006, 613	\$422, 309, 713	
Other products and receipts <sup>2</sup> .....	\$1, 405, 870	\$2, 321, 041	
Refined sugar, hard (all grades):			
Total pounds.....	7, 780, 250, 803	8, 502, 572, 410	
Total value.....	\$351, 602, 259	\$395, 142, 101	
Packed:			
In barrels:			
Pounds.....	410, 601, 432	(°)	
Value.....	\$18, 005, 041		
In 100-pound bags:			
Pounds.....	4, 122, 701, 808		
Value.....	\$182, 631, 228		
In 25-pound bags:			
Pounds.....	409, 542, 807		
Value.....	\$18, 101, 212		
In small containers:			
Pounds.....	2, 837, 404, 816		
Value.....	\$131, 804, 148		
Refined sugar, soft or brown (all grades):			
Pounds.....	472, 705, 953	528, 591, 995	
Value.....	\$20, 251, 351	\$22, 603, 146	
Refiners' sirup, edible:			
Gallons.....	3, 428, 277	2, 735, 498	
Value.....	\$827, 015	\$546, 826	
Sugar sirup:			
Invert-sugar sirups of all densities:			
Gallons.....	10, 317, 841	}	
Value.....	\$4, 456, 980		
Other sugar sirups:			
Gallons.....	15, 778, 007		
Value.....	\$5, 011, 000		
Refiners' blackstrap and nonedible sirup, value.....	\$666, 145		\$1, 390, 021
<b>RAW SUGAR TREATED (TONS 2,000 POUNDS)</b>			
Aggregate.....	4, 403, 639		4, 722, 660
Domestic, total.....	2, 169, 464		1, 917, 851
United States exclusive of outlying possessions.....	425, 317		324, 368
Hawaii.....	879, 676	890, 469	
Puerto Rico and Virgin Islands.....	864, 435	733, 023	
Foreign, total.....	2, 234, 181	2, 774, 809	
Cuba.....	1, 314, 021	1, 735, 421	
Philippines.....	859, 036	924, 302	
All other.....	60, 224	115, 686	

<sup>1</sup> No data for products of cane-sugar mills are included.<sup>2</sup> Principally contract work, steam and electric energy and bags sold.<sup>3</sup> Not called for on schedule.

## ADDRESS BY ADMIRAL WILLIAM D. LEAHY

It is altogether fitting that the people of continental United States and the people of Puerto Rico should meet in joint celebration on this occasion, for the economic welfare and, indeed, the very safety of both peoples grow greater by such cooperation.

Puerto Rico has changed since the time one year ago when I addressed a gathering in honor of Puerto Rico Day at this World's Fair. Then Puerto Rico, a tropic island slumbering in the West Indies, was beginning to stir with a new life of military activity. Today Puerto Rico retains its Old World charm, but the program designed to convert our island into a military stronghold for the defense of the Panama Canal Zone and the east coast of mainland United States has injected a new vigor, new enthusiasm, and new hope for those of us who live in this eastern outpost of the United States.

The Island is a keystone in the protection of the Panama Canal. When the present military and naval preparations have been completed, Puerto Rico will be well prepared to accomplish its part in the national-defense program. No belligerent power would attempt an attack on the east coast of mainland United States or the Panama Canal area and leave Puerto Rico bristling with planes, guns, and warships flanking its lines of communication.

Working in close cooperation, with understanding and enthusiasm for a common cause, we have transformed waving cane fields into gigantic air bases; we have deepened our harbors to make more mooring grounds for our warships; we have unwound tortuous mountain roads to give passage to our motorized divisions; we have brought earth from the ocean's bottom to make foundations for seaplane bases; we have, literally, moved mountains to make way for long-range coastal-defense units. All this has been done by the skill of our military men and by the strong hands of the people of Puerto Rico.

We must now devise some means of making our Island capable of self-support. We must strive for diversification of industry and agriculture; for the growing of our own foodstuffs. We must make our Island capable of withstanding prolonged isolation from the mainland. Much could be done along this line if those who impose restrictions on the Island's industry will realize that the passage of laws which curtail the export of the only crops we are capable of producing works a hardship on the people of Puerto Rico who are, like themselves, citizens of the United States.

And now to a lighter side of our life in Puerto Rico. I have generalized on the military program under way here, and have said nothing about the charm of Puerto Rico.

Puerto Rico's purple mountains still rise majestically in the interior of the Island. Its broad white beaches still meet the blue waters of the Atlantic and the Caribbean Sea. Its palm trees still rustle in the trade winds and its people are as hospitable as always.

In the name of the people of Puerto Rico I invite you to spend a holiday with us under the Stars and Stripes, to enjoy the blessings which nature heaped upon us here, and to experience for yourself the hospitality for which Puerto Rico justly is famed.

#### ADDRESS BY DR. RUPERT EMERSON

Today marks the forty-second anniversary of the linking together of the destinies of Puerto Rico and the continental United States. Today more than ever before it is of vital concern to all of us on the island and on the mainland that there be a full and whole-hearted cooperation in the great common tasks that lie before us. Never before has there been so urgent a necessity to recognize that Puerto Rico is one of the most essential links in the first line of American defense. To my mind, it is deeply appropriate that this anniversary should be celebrated at a great World's Fair; in these days we of the Americas feel the world pressing closely in upon us and if we are to defend the democracy and the freedom which are ours it can only be with a full consciousness that we must stand together to confront the threatening forces which would overturn our way of life.

I do not want to speak of the military and naval aspects of the problems of defense, on which the distinguished Governor of Puerto Rico can speak with far more greater authority than I, but rather of certain of the basic elements of our civilian life. By now we have tragic and overwhelming evidence from the fate of countries overseas that no military defense is possible unless it rests upon an unshakable foundation of confidence, of cooperation and of common devotion. Peculiarly our democratic system requires that we all are possessed of the will to work together in a spirit of tolerance and understanding toward a solution of our problems. Democracy must be based on friendship, sympathetic understanding, and on a readiness to subordinate special and private interests to the public welfare; if those vanish, or are nonexistent, democracy must vanish also.

It can be no part of the effective democratic process to ignore troublesome issues and danger spots. Let us recognize frankly that there have been and continue to be certain fertile sources of misunderstanding between the Americans of Puerto Rico and the Americans of the mainland, and that there are many grave problems to which no final answers have been found and on which we must continue to work together in the search for answers. The one thing of which I am confident is that no satisfactory solutions can be found unless these problems are brought out into the open and discussed on a frank and friendly basis. It does us no good to gloss them over with such pleasant generalities as that the United States is a land of liberty and that Puerto Rico is a Caribbean paradise for the tourists. There are glaring maladjustments in the economic life of the island despite the glowing figures of Puerto Rican trade with the mainland. In a world of shrinking markets and of chaotic economies it is of the first importance that we remember that in the last two years Puerto Rico has been the eighth and ninth largest customer in the world for goods from the continental United States and has also been one of the outstanding producers for the mainland market.

But unless that great trade works to build up the well-being of the Puerto Rican people and continuously to improve their living standard, it is not a matter to which we can merely point with pride. It is intolerable that restrictions should be imposed from the mainland which prevent the development of the island's industry within the framework of the standards of living which we in America have come to expect. To cite a single instance this situation again threatens in the proposed re-imposition of restrictions on the island's sugar refining industry.

Aside from the directly political and economic problems which confront us, there are also deep cultural differences which derive in large part, I think, from the fact that we have never really gotten to know each other and our ways. It has come to be something of a commonplace that Puerto Rico should serve as a cultural bridge between the two Americas, but no such ideal can be translated into dynamic reality until the great Spanish cultural heritage of the island has come to be effectively known and appreciated on the mainland. The many thousands of Puerto Ricans who have come to the mainland have brought with them the living culture of the island and have helped to enrich American life with their contributions in many fields.

The relationship between the mainland and the island cannot and must not be one of exploitation and oppression: it must be one of friendly cooperation in the carrying out of our common American tasks. Much has been done in recent years to bring the two communities together and to solve their problems but there is much more which remains to be done. It will be my effort to do all that is within my power to secure the most effective possible realization of the great contributions which the two communities of the mainland and of the island can make to their own, and to each others, and to the world's well-being.

The CHAIRMAN. Mr. Frederic P. Lee, representing certain refining interests in Puerto Rico.

#### STATEMENT OF FREDERIC P. LEE, REPRESENTING CERTAIN REFINING INTERESTS IN PUERTO RICO

Mr. LEE. Mr. Chairman and gentlemen of the committee: I appear on behalf of three small Puerto Rican refiners, the Central Igualdad, Inc., Compania Azucarera del Camuy, and Antonio Roig Sucesores.

We protest with utmost earnestness against amending the existing law at this time by reinstating in it the provision that expired last March 1 imposing restrictions upon Puerto Rican refineries. The renewal of those restrictions, the President stated in a letter to the chairman of the House Agricultural Committee last April, would be an unconscionable procedure.

Senator KING. Up to that time you could refine sugar in Puerto Rico?

Mr. LEE. Since the 1st of March we have had no restrictions upon refining our own sugar.

Senator KING. The McCormack amendment, which has been offered in the House, which is tied to this bill which is now before us, restricts you?

Mr. LEE. It changes the law and would restrict us. The reason the enactment of the amendment would be, in the words of the President, an unconscionable procedure, is that it reinstates the monopoly that the eastern seaboard refiners have had on the refining of cane sugar. We know of no justification for the renewal of that monopoly. We should have the same right to refine our own sugar that other areas have, within the limits of our raw sugar production quota and our refining capacity.

The President also, as the Delegate from Hawaii mentioned, stated at the time the Sugar Act of 1937 was signed that this restriction would expire within 2 years, that he had a gentlemen's understanding that there would be no attempt to deal with it except in separate legislation on its own merits, and he said that the end of the eastern

seaboard refiners' monopoly was in sight. That monopoly has ceased, and we believe it should not be reinstated and that we should have the same fair and equitable treatment that is accorded other areas.

Thank you.

Senator KING. Unless something is done for Hawaii and Puerto Rico we will have constant troubles. We cannot treat them as stepchildren. I offered a bill 5 or 6 years ago to give statehood to Puerto Rico, because I appreciated we were not dealing with Puerto Rico in just a fair way, as American citizens. I supported the bill for statehood of Hawaii because there are many reasons why she should be entitled to statehood.

The CHAIRMAN. Mr. Ernest W. Greene. Mr. Greene represents the Hawaiian Sugar Planters Association. All right, Mr. Greene.

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

Mr. GREENE. Mr. Chairman and members of the committee, I have a statement with a number of exhibits which, with your permission, I should like to file for the record, because I realize the time at the disposal of the committee does not permit covering the points that we are interested in as fully as I would like to do it.

I was for more than 15 years manager of the Oahu sugar plantation, farming about 12,000 acres of sugar land on the Island of Oahu in the Territory of Hawaii. I represent the sugar producers of that Territory, the Hawaiian Sugar Planters Association.

We protest against the discrimination in the Territory which is contained in section 5 of H. R. 9654, as it is now before this committee. That section 5 would restrict the refined sugar shipments from Hawaii to 29,616 short tons, and it would reimpose a restriction formerly existing but which the Congress in 1937 evidently intended to extinguish by limitation.

At the present time, if the act is extended without section 5 Hawaii is not prevented from transporting to other parts of our country any portion of its crop as refined sugar. It has the same right which any agricultural producer in any other part of the country has, to refine its agricultural product at the point of production, if it wishes to do so.

I will not take the time of the committee by reviewing again, as has been done by previous witnesses, the general course of this legislation, but the restriction originated in the act of 1934. It was continued for a limited period in the Sugar Act of 1937. By the terms of that act it expired on March 1, 1940.

We believe that this discriminates against the Territory. We urge that the committee delete section 5 from the bill now before it.

The discrimination contained in such restriction has been condemned in numerous public statements by officials, by President Roosevelt, by various Members of the Senate and House, and in the brief which I have submitted I have taken the liberty of quoting some of the extracts with which I will not now take up the time of the committee, but this new enactment would perpetuate a former discrimination.

It was evidently intended to be extinguished. There was no such restriction proposed for any beet or cane growers on the continent. Everyone was free to refine his own product wherever he wished, providing it is done on the mainland. We can refine it if we wish on the



mainland. If this provision remains in the bill they say we cannot refine it in the Territory of Hawaii.

The Hawaiian producers have never shipped large amounts of refined sugar. What their plans in the future may be I cannot now foretell. However, to attempt by law to deprive citizens of the United States resident in Hawaii of the rights which are inherent to all citizens of this country is repugnant to all principles of equity, fair play, and justice.

We protest any attempt to reinstate the refined-sugar restrictions in Hawaii and request the amendment of the bill now before you by striking out section 5.

There are three other points in connection with sugar legislation which are of vital importance to Hawaii. These points are: Quotas, price, and conditional compliance payment.

As to quotas, the Congress in 1937, after thorough study, allotted the quantities of sugar which respective areas may market, and set Hawaii's share at 25.25 percent of the total for domestic areas. The record of quotas and quota compliance shows that Hawaii has borne more than its share of quota reductions in the past. We strongly urge that the amount allotted Hawaii under any circumstances be not less than 25.25 percent of the total for domestic areas.

As to price, sugar prices have been disastrously low during the past 2½ years. The retail price of sugar is lower than the average price during the depth of the depression years, 1930 to 1933, when, without any tax, it was 5.52 cents a pound. We commend any effort to stabilize the price of sugar at a level which will yield a fair return to the farming producer.

Then we come to the question of the conditional compliance payment, much misunderstood and much discussed. The basis of the Sugar Act is its quota-tax conditional payment system. The quota regulates the supply of sugar on the market. The tax under this system has not increased the price of sugar to the consumer. It has been borne principally by the producers of raw sugar and sugar beets.

The sugar program is a self-financing arrangement under which the tax principally reduces the gross proceeds of sales by the raw producer, who then, upon compliance with certain conditions, receives the remainder of his normal proceeds in the form of the conditional compliance payment.

The conditional compliance payment is not in any sense a bonus or a hand-out. It is a powerful means of insuring compliance with control of production and other conditions prescribed in the act.

Senator KING. It may not be considered as a subsidy, as was indicated in some of the hearings?

Mr. GREENE. No, sir; it is not. As long as part of the normal proceeds of the sale of raw sugar is taxed away from the raw producer, he must, in fairness, receive the conditional payment which he has earned by compliance, and that economic fact applies whether it is a large producer who qualifies with a large number of units or a small producer who qualifies with a small number of units. It is part of an economic scheme of control, which is really the heart of the sugar-quota law.

Senator KING. Devised by the Government and its experts.

Mr. GREENE. Proposed as a means of enforcing compliance.

Now the Territory of Hawaii is an integral part of the United States. It is entitled, as a matter of law and fairness, to equal treatment with

the rest of the United States. It is subject to all labor laws, shipping laws, and to every law in general of the United States. The sugar from Hawaii is shipped in American vessels, in American bottoms. It is subject to the coastwise shipping law. It pays Federal income and excise taxes into the United States Treasury, just as does every State.

We protest any attempt to deprive Hawaii of its equitable rights with respect to its quota or the right to process at home its own agricultural product.

There are several exhibits included in that general statement which I submitted, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Greene.  
(The brief of Mr. Greene is as follows:)

BRIEF OF ERNEST W. GREENE REPRESENTING SUGAR PRODUCERS OF THE  
TERRITORY OF HAWAII

I am Ernest Greene. I was for more than 15 years manager of the Oahu sugar plantation, farming about 12,000 acres of sugar land on the Island of Oahu in the Territory of Hawaii. I appear here as representative of the Hawaiian Sugar Producers.

We protest against the discrimination against the Territory of Hawaii which is contained in section 5 of H. R. 9654, which is as follows:

"SEC. 5. Subsection (a) of section 207 of the Sugar Act of 1937 (relating to direct-consumption sugar from Hawaii) is amended by adding at the end thereof the following new sentence: 'This subsection is hereby extended so that 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: *Provided, however,* That the amount of said quota which may be filled by direct-consumption sugar for the calendar year 1940 shall not be less than the quantity of direct-consumption sugar from Hawaii actually brought into the continental United States, for consumption therein, after December 31, 1939, and up to and including the date of the enactment of this amendatory sentence'."

This unjust provision should be deleted from the bill.

At the present time, Hawaii is not prevented from transporting to other parts of our country any portion of its quota in the form of refined sugar. Just as any producer in any State, the Hawaiian producer may, if he chooses, prepare his raw sugar for market by refining it where it is grown.

This is but the exercise of a natural right inherent in every farmer—the right to process at home his own goods for market. It is also the exercise of the very right which was necessary to bring the United States into being, the right of free trade and commerce among the several States and Territories.

The original Jones-Costigan Act prevented Hawaii from filling more than 29,616 tons of its quota in refined sugar. This restriction was continued for a limited period in the Sugar Act of 1937, which provided that it should expire March 1, 1940. It did expire on that date, and, therefore, there is no such restriction now in effect.

The Committee on Finance in 1937 reported a committee amendment, and explained that it was intended \* \* \* to meet the difficulty arising out of the discrimination involved in establishing restrictions upon receipts of direct-consumption sugars from the domestic areas of Puerto Rico and Hawaii without corresponding restrictions on the mainland" (see p. 2, S. Rept. No. 1157, 75th Cong., 1st sess.).

The administration has consistently opposed any such restriction, as un-American, unjust, and uneconomic. President Roosevelt in a letter to Senator Harrison dated August 12, 1937 (see exhibit I), said with respect to the provision which limited the quantity of sugar that might be refined in Hawaii: "This introduces a principle of geographical limitation on manufacturing in our country which has no economic or social justification in this instance, and would constitute a dangerous precedent."

In a letter to Chairman Jones of the Committee on Agriculture, House of Representatives, dated April 11, 1940 (see exhibit II), President Roosevelt said:

"The people of the Territory of Hawaii and the possessions of Puerto Rico and the Virgin Islands are American citizens who compose some of these minority

groups in our population with local governments that lack the protection of statehood. If this circumstance were not given adequate consideration, it would be possible to destroy by legislation the livelihood of our citizens in the insular parts of the United States through the enactment of discriminatory prohibitions against their products; and they would possess no legal power to take counter measures in self-defense. Such a course of action, as I have pointed out on a previous occasion, would be tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy. Among the cases in point is the proposal to reinstate the former discrimination against the refining of sugar in the insular parts of the United States."

President Roosevelt issued a statement when he approved the Sugar Act of 1937 (see exhibit III), in which, referring to the restriction on direct consumption sugar, he said:

"\* \* \* It is with great regret, therefore, that I find that the Congress has accorded a status quo continuation of this seaboard refinery monopoly for 2½ years to come. The bill in this respect gives only one ray of hope—for it provides that this refining monopoly shall terminate on March 1, 1940, whereas the beet and cane producers' quota is extended to December 31, 1940 \* \* \*"

But H. R. 9654 would limit the refined-sugar quota of Hawaii to 20,616 tons throughout the extended life of the Sugar Act. It would by a new enactment perpetuate the former discrimination which the Congress in 1937 obviously intended to extinguish after a limited term.

No such restriction is proposed for any beet or cane grower on the continent—each and every one is free to refine his own product wherever he wishes, provided this is done on the mainland. Any foreign country other than Cuba would still be free to fill all of its quota with refined sugar.

*Conclusion on restrictions on refined sugar.*—The Hawaiian producers have never shipped large amounts of refined sugar, and what their plans in the future with respect to this may be, cannot now be foretold. However, to attempt by law to deprive citizens of the United States resident in Hawaii of rights which are inherent to every citizen of this country is repugnant to all principles of equity, fair play, and justice. We protest any attempt to reinstate refined-sugar restrictions on Hawaii, and request that H. R. 9654 be amended by striking out all of section 5.

#### GENERAL STATEMENT

As it is impractical to attempt to deal with all phases of sugar legislation, I will confine my remarks to three other principal points which are of vital importance to Hawaii.

These points are:

1. Quotas.
2. Price.
3. Conditional-compliance payments.

In order to save repetition, I would like to set forth a few facts which have a bearing on all of the points.

*Hawaii is entitled to equal treatment.*—Hawaii is an integral part of the United States, entitled as a matter of law and of fairness to equal treatment with the rest of the United States. It is subject to the Wages and Hours Act, to the National Labor Relations Act and to all other general laws of our country, without exception. It pays Federal income and excise taxes into the United States Treasury, just as does every State. It has paid into the United States Treasury over \$150,000,000 more than it has received from the Treasury for its Territorial requirements.

I am certain that there is no need to further discuss Hawaii's right to equal treatment because it is so clearly in accord with American principles of justice and equality. This cannot be better expressed than in the letter from the Secretary of the Interior to the chairman of the Committee on Agriculture of the House of Representatives on May 7, 1937, when he said:

"Since the great fundamental principle of American democracy is equal treatment of all citizens, there is no need to dwell upon the moral or practical necessity of avoiding economic discrimination against the citizens of the United States who may be residing in the insular parts of our country."

*Sugar is Vital to Hawaii.*—The right to grow sugar and market it, is the very lifeblood of Hawaii. More than 40 percent of those gainfully employed in the Territory work directly in growing and processing sugarcane. About one-half of all the inhabitants are entirely dependent on sugar for their livelihood. The

industry pays a large proportion of the Territorial taxes. The welfare of all our people is in some degree concerned with sugar.

Anything, therefore, which adversely affects the sugar industry, has an immediate effect upon the whole life of the Territory, upon stevedores, storekeepers, school teachers, policemen, in fact upon everyone.

Those living in other parts of our country are also concerned in the welfare of the Hawaiian sugar industry. Last year Hawaii bought more than \$100,000,000 worth of products of farms and factories in other parts of the country. A reduction in this commerce would have far-reaching effect.

*Large scale farming units necessary.*—In Hawaii it takes 2 years to grow a crop of cane. Due to causes beyond our control the same fields often show large variations from crop to crop in yields and costs. Irrigation systems had to be built by the sugar producers at great cost. For over 50 years our producers have conducted their own experiment station. About one-half million dollars is spent annually for this purpose. The sugarcane transportation systems hauling 10,000,000 tons of cane annually had to be built by the producers. It has been and still is, a practical necessity that the growing of sugarcane in Hawaii be conducted in large units.

Had it not been for the groups of individuals pooling their capital resources, their skill and ingenuity, the sugar industry of Hawaii could not have been developed, nor could it now be carried on.

*Ownership of producing units.*—There is widespread ownership of the producing units of the Hawaiian sugar industry.

More than 15,000 stockholders own the properties of the 37 sugar-producing companies.

More than 46,000 men are employed in year-round work at good wages, under excellent working and living conditions.

More than 3,000 small farmers work cooperatively with the plantations.

The sugarcane lands comprise about 6 percent of the lands of the Territory. Half of these sugar lands are leased from hundreds of independent private owners and from the Territory. One-eighth of the total area of the islands, including much of the sugar area, is held in perpetuity for the benefit of native Hawaiians.

*The Sugar Acts.*—Because of the effect of the depression on domestic sugar producers, the Jones-Costigan Act was passed by Congress in 1934.

The Sugar Act of 1937 reinstated the principle of taxes and payments which had been inoperative since 1936, and included a new formula for determining the country's sugar requirements. It was enacted September 1, 1937, and has been in operation for 2 full calendar years (1938-39). Its effect upon the welfare of Hawaiian producers can now be appraised.

In 1938, the sugar industry in Hawaii lost money—was in the red—even after receipt of conditional-compliance payments. The result in 1939 was somewhat better—a small profit. For the 2 years there has been a loss of \$1,500,000 after the receipt of the conditional-compliance payments. The continuation of these losses will be most serious.

#### QUOTAS

The basis of the Sugar Act is its quota-tax-conditional-payment system, under which each area is limited in the amount of sugar it may produce and market. Of course each area wants to produce an unlimited amount of sugar. But this is impossible under a quota system. The demand is limited, and each area must be restricted to its equitable share of the total.

*The record on Hawaii's quota.*—The record shows that Hawaii, from the inception of the quota system, has received less than its long established percentage share of consumption.

Today in Hawaii more than 20,000 acres of land which for years grew sugar cane now lie fallow, as a result of compliance with sugar program. This land cannot be used economically for any other agricultural purpose. Compliance with the quota therefore costs Hawaii several million dollars in gross return every year. To further reduce the production would be most unjust.

The record of quotas and quota compliance shows that Hawaii has borne more than its proportionate share of quota reductions in the past. Our acreage and crops have been reduced, while in some other domestic areas acreage and crops have been greatly increased.

The first sugar program in 1934 reduced Hawaii's quota by 70,000 tons from its average production during the preceding 3 years, although at the same time other areas received quotas considerably larger than their production during the same period. (See exhibit IV.)

Again in 1937 the Hawaiian quota was further reduced to accommodate an increase for another area. This must be the end, and it was represented at that time to be the end, for the committee, in its report, said:

"The quantities which respective areas may market have been arrived at after careful consideration of the history of the production in each area and its present and future capacity to market." (See p. 4, S. Rept. No. 1157, 75th Cong., 1st sess.)

*Conclusion on quotas.*—If a quota system is to be continued, it obviously would be inequitable to increase from time to time the quotas of certain production areas that desire further expansion, and further curtail the quotas of other domestic production areas that have already been heavily restricted. If it is decided that under a quota system domestic expansion is desirable, then domestic production areas that have actually abandoned sugar lands should be given prior consideration over those that under the quota system have taken in new lands.

We strongly urge that the amount allotted to Hawaii under any circumstances be not less than 25.25 percent of the total for domestic areas, and that the minimum quota for all domestic areas of not less than 3,715,000 tons, as provided for in the present act, be retained.

#### SUGAR PRICE

As already pointed out, Hawaii has had its production of sugar materially cut down by the operation of the quota provisions of the Sugar Act.

Had the receipts per ton of sugar remained constant, there would have been a substantial reduction in the total sums received by Hawaii from its sugar industry, but two additional factors have operated to bring about the present threatening conditions in the Hawaiian industry.

*Increased costs and decreased prices.*—There have been startling increases in operating costs, many of them brought about directly by the operation of the act. Since the beginning of the sugar quota system in 1934, total costs of production and marketing have increased 15 percent; pay rolls have increased 24 percent; material costs have increased 4 percent; taxes, not including sugar taxes, have increased 43 percent. (See exhibit V.)

The second factor which has operated to bring the Hawaiian industry to its present condition is price. The almost perpendicular increase in costs has been accompanied by lower prices, and the combined effect has been the disappearance of the profits of the industry.

*Comparison of results.*—In 1933, before the sugar quota system went into effect, and when sugar prices were deemed to be abnormally low, the principal Hawaiian producers had a net profit of \$9,000,000: a return of about 6 percent on a net worth of over \$150,000,000 in an industry employing 46,000 workers.

In 1938 they suffered an actual loss of \$3,862,203, even after including in receipts conditional compliance payments of \$7,528,930.

The year 1939 was only slightly better, there being a net profit of \$2,311,461, a return of but 1.5 percent on capital, this after including conditional compliance payments of \$7,772,191.

During the 2 full years of the operation of the present act, the aggregate loss has been \$1,550,742 after including the receipt of \$15,301,130 of conditional compliance payments.

(See exhibit V.)

The prospects for this year are equally discouraging.

*Comparison of sugar prices.*—Sugar prices have been disastrously low during the last 2 years. Including the flurry after the declaration of war in Europe the average retail price, which includes the half-cent excise tax, has been 5.35 cents per pound. This is a six-tenths of a cent (\$12 a ton) less than the average price of 5.95 cents per pound in 1909-13, when there was no tax. It is actually less than the average price during the depth of the depression, 1930-33, when, without any tax, it was 5.52 cents per pound.

This comparison of prices proves beyond doubt that under the operations of the Sugar Act of 1937 consumers have paid a lower price for sugar than even during the depth of the depression years 1930-33. And the price during those 4 years was lower than the price of any other preceding 4 years in the history of the United States. (See exhibit VI.) But the retail prices since January 1, 1938, include the sugar tax, only a portion of which is returned to Hawaiian producers in conditional compliance payments. As will be shown, the cost of compliance is perhaps higher than the payments.

*Conclusion on price.*—If the Hawaiian sugar industry, with its 46,000 employees and its dependent community, is to continue under acceptable standards, the act must be changed. One of the declared purposes of the act is "to protect the

welfare \* \* \* of those engaged in the domestic sugar-producing industry." We, therefore, urge that section 201 of the act be amended so that the price received by domestic producers will be sufficient to protect their welfare.

#### CONDITIONAL COMPLIANCE PAYMENTS

The conditional compliance payments are sometimes mis-called benefit payments. They are not benefit payments at all. As the act states, they are conditional-payments—payments to producers to compensate them for a reduction of income and for their costs of complying with the sugar program and the Secretary's rulings under the act.

The benefit the sugar grower receives from the payment is only that of being made whole, and in the case of Hawaii only partially whole, for the costs he incurs because he is subject to the act and has complied with it; for his curtailment of production, his payment of minimum wages fixed by the Secretary, and his purchase of cane at prices approved by the Secretary.

*Payment system is self-financing.*—The funds out of which these payments are made do not come out of the general Treasury, except in a technical sense; nor do they come out of the public which buys sugar. They have come out of the sugar producer himself, as has been pointed out in official statements. (See Exhibit VII.) They are provided by a tax of one-half cent a pound on the processing of the sugar of the producer. And Hawaiian producers are penalized to the extent of \$1,000,000 per year—because their sugar pays \$9,500,000 of taxes per year—and only \$8,500,000 of it is returned to them.

*Purpose of tax-payment system.*—The purpose of withholding temporarily from producers a substantial part of their normal income, and returning a portion of this later, is obvious. Before a producer can receive a portion of the amounts which have been taxed away from him, he must comply with the determinations of the Secretary of Agriculture with respect to the amount of sugar produced, the amount marketed, wage standards, farming practices, etc. He must file a sworn certificate of compliance with the law and with the Secretary's rulings. An almost irresistible incentive for compliance is established.

*Cost of compliance.*—Under the present law, Hawaiian producers, to recover \$8,500,000 of the \$9,500,000 of annual taxes paid on their own sugar, are compelled to:

(1) Take 20,000 acres out of production that would otherwise return them over \$4,000,000 gross annually.

(2) Restrict production on remaining areas to such tonnages as have been determined by the Secretary.

(3) Market such amounts of sugar as are permitted under the law.

(4) Pay increased wages that have amounted to about \$4,000,000 annually.

(5) Pay approved rates for sugarcane, and comply with farming practices and with other rulings of the Secretary.

It is recognized that Hawaii has complied with both the letter and spirit of the law, even though the cost of compliance may have exceeded the amount received.

*Conditional compliance payments not hand-outs.*—Any person asserting that Hawaiian producers receive benefit payments or any largess, bonus, subsidy or hand-out from the Treasury displays ignorance of the law and the facts. All that the producers receive is a portion of their own money, and they pay heavily for this in complying with the restrictions of the Act.

*Graduated payments unfair to Hawaii.*—Hawaii is unjustly penalized by the graduated payment provision of the present law.

Everywhere the manufacture of sugar is done by large-scale units. In Hawaii, as I have already explained, sugarcane farming also has to be conducted on a large-scale basis. Under the act conditional compliance payments for large units are substantially reduced.

The only possible theory justifying these reductions is the assumption that the larger the unit, the lower the cost. This assumption is entirely erroneous. If it were correct consolidations and mergers would have been effected and much could have been saved.

We recognize the fact that for special reasons the family sized farm payments per ton should perhaps be greater than the \$10 per ton tax collected. The unit cost of some larger producers is sometimes less than that of small farming units, but the reverse is equally true. All producers other than the family sized producers bear proportionately the cost of restriction and other costs of compliance. In Hawaii, the large-scale producers bear the brunt of all crop restriction. As has already been pointed out, a company is merely a group of individuals who have

pooled their resources and are cooperating in their efforts—the larger the company, the greater the number of individuals.

*Graduated payments unfair to family-size farms.*—Not only is the large producer penalized, but the family-sized producer is also penalized with respect to payments, if he cooperates with others. If a farmer independently produces sufficient cane for 50 tons of sugar his payment will be \$600. If, however, in producing his cane, he and other similar farmers use in common work stock, equipment, labor, or other pertinent factors, his payment will be much less—he will be penalized. If he cooperates with a 12,000-ton company and there is the common use of work stock, equipment, etc., he will be severely penalized but if the company happens to produce 30,000 tons, then, under the law, he will be much more severely penalized. This is not right.

*Conclusion on conditional compliance payments.*—It cannot be too strongly emphasized that the conditional compliance payment is in no respect a bonus, but is merely, in the case of Hawaii, a return to the producer of a portion of the sales proceeds which would otherwise be his, and that, as the price of receiving it, he must comply with the restrictions of the act, at great cost and expense. Failure to return to the producer the proceeds of the tax in its entirety unfairly deprives him of part of his income.

We urge that section 304 (c) be amended so that payments for all producers will not be less than the amounts which their sugars are taxed, and that it be further amended so that the reduction in payments will be calculated with respect to individual producers.

#### SUMMARY

After 2 years' operation under the Sugar Act of 1937, the Hawaiian sugar industry finds itself in a precarious situation. Our production is restricted, costs continue to increase and the price of sugar remains low.

We urge legislative action which will assure a reasonable price for sugar. We urge that the present act be amended so that producers who comply will receive not less than the amount of tax collected on their sugar. We protest any attempt to deprive Hawaii of its equitable rights with respect to its quota or the right to process at home its own agricultural product.

#### LETTER FROM THE PRESIDENT TO SENATOR HARRISON, CHAIRMAN, COMMITTEE ON FINANCE, UNITED STATES SENATE, RELEASED BY SENATOR HARRISON ON AUGUST 12, 1937

The amendment to H. R. 7667 adopted yesterday by the Senate Finance Committee has just been brought to my attention.

I am delighted to note that the committee recognizes that our territories and island possessions are integral parts of the United States and cannot be discriminated against, and that the restrictions on refining in those territories contained in H. R. 7667 constitute such a discrimination.

I regret that an examination of the committee amendment shows that it not only does not eliminate the discrimination, but introduces a new and highly objectionable feature. The discrimination contained in H. R. 7667 is that sugar producers in Hawaii, Puerto Rico, and the Virgin Islands are prohibited from refining there the sugar which they are permitted to produce under the quota, while there is no similar prohibition on the other areas in the United States. The amendment, which places a refining quota on continental United States, at a figure far in excess of the largest quantity of sugar grown there, merely perpetuates this discrimination.

The amendment proposes to limit by law the quantity of sugar that may be refined in various geographical parts of the United States. This introduces a principle of geographical limitations on manufacturing in our country which has no economic or social justification in this instance, and would constitute a dangerous precedent.

Agricultural legislation, so desired by our farmers, should not be further delayed by the insertion in an otherwise acceptable agricultural bill of manufacturing restrictions. Their elimination would serve the best interests of our agricultural producers who desire legislation at this session. If interested parties think there should be manufacturing restrictions on sugar refining, that can be embodied in a separate bill and be considered separately.

THE WHITE HOUSE,  
Washington, April 11, 1940.

HON. MARVIN JONES,  
Chairman, Committee on Agriculture,  
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: Reference is made to your recent letters to the Departments of State, Interior, and Agriculture, requesting comments on the various bills with respect to sugar which were introduced in the Seventy-sixth Congress and are now pending before the House Committee on Agriculture. In accordance with your request, and since your committee is now holding public hearings on these measures, it is believed that you may wish to have at this time a summary of our views on the basic issues of public policy which are involved in this group of bills.

In reviewing the present sugar situation I have been gratified to note the great improvement in conditions that has taken place since the adoption of the sugar program 6 years ago. Domestic sugar producers are fortunately receiving incomes at approximately the parity level, and they are enjoying a large volume of production. The losses of sugar processors in the years preceding the program have been converted into profits, child labor has been greatly reduced; wages and working conditions for labor have been improved; and there has been brought about an important and greatly needed recovery in the market for our surplus products in the foreign countries from which sugar is imported into the United States. Furthermore, the world price of sugar has increased substantially.

I also find that under the existing provisions of the Sugar Act of 1937, domestic sugar producers and processors will receive price protection through the quota system for the full calendar year of 1940, and that domestic sugar beet and sugarcane growers will receive benefit payments on their 1940 crops even though the marketings of the sugar may extend well over into 1941. The seaboard cane-sugar refiners are protected for an indefinite period against competition of Philippine refiners under terms of the Philippine Independence Act, and they will continue to enjoy quota protection from the competition of Cuban refiners for the full calendar year of 1940. The tax on sugar will remain in effect until July 1, 1941. Consequently, it seems clear that no sugar legislation is necessarily required at this session of Congress, although it might be advisable to extend the life of the Sugar Act of 1937 for an additional period through a joint resolution of the Congress.

In considering the questions raised by these bills, I find myself again confronted with the fact that the basic problem of good government inherent in sugar legislation is to balance, practically and fairly, the directly conflicting interests of the various groups of American citizens concerned; the producers of sugar and the producers of export commodities, the farmers and the processors, the employers of labor, and the industry as a whole, and consumers and taxpayers. These requirements of the general welfare indicate that at least three fundamental aspects of the major bills on sugar now pending before the House Committee on Agriculture should be given special consideration.

In the first place, several of the proposals would unavoidably bring about an impairment of the export market for surplus American agricultural and industrial products, and they would do so at a time when increased export outlets are so greatly needed. It is to be regretted that each increased acre of domestic sugar beet and sugarcane production inevitably results in a contraction of our export markets in an amount equal to the value of the product of several acres of our principal agricultural crops. A decrease in sugar imports would, therefore, require an unnecessary and painful readjustment and contraction in our production of export commodities. It would also injure the economic status of other American republics, to which we must look in increasing degree for enlarged outlets for the products of our own labor, land, and factories. It would strike a serious blow, particularly at the foreign marketing of such important surplus farm commodities of the United States as corn-hog products, rice, wheat, and cotton.

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



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

In the third place, the bills submitted to your committee include a proposal that would sacrifice the protection afforded consumers under existing legislation and substitute a sugar price standard requiring a reduction in total quota supplies to consumers to a point that would enhance sugar prices beyond the level required to give a majority of producers full parity returns. One of the principal objectives of the sugar program is to assure producers and others fair and reasonable incomes; but after that has been done, further increases in price would place an excessive burden of public protection for the sugar industry as a whole on agriculture, industry, consumers, and taxpayers.

Under the existing circumstances, with sugar producers enjoying approximately a parity level of income and a large volume of production, with labor being benefited by improved wages and working conditions, with sugar processors making substantial profits, and with a gratifying increase in our exports to foreign sugar-producing countries, I am confident that the House Committee on Agriculture will not recommend any bill that would impair the foreign outlets for our surplus products, run counter to the "good neighbor policy," discriminate among various groups of domestic producers and processors, or increase the burden on our consumers and taxpayers.

Very sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT.

STATEMENT BY THE PRESIDENT ON SIGNING THE SUGAR ACT OF 1937, ON SEPTEMBER 1, 1937:

"\* \* \* I am primarily concerned with the interests of the domestic beet and cane growers and of the cane growers in the islands which are under the American flag and the cane growers of some of our close neighbors, such as Cuba. \* \* \*

"\* \* \* It is with great regret, therefore, that I find that the Congress has accorded a status quo continuation of this seaboard refinery monopoly for 2½ years to come. The bill in this respect gives only one ray of hope—for it provides that this refining monopoly shall terminate on March 1, 1940, whereas the beet and cane producers' quota is extended to December 31, 1940 \* \* \*"

Statement by the Secretary of the Interior concerning sugar legislation, on July 12, 1937:

"\* \* \* The bill contains no restrictions on domestic cane sugar refining operations except with respect to the insular parts of the United States. This would mean that, contrary to the fundamental principles of democratic government, one group of American citizens would be compelled to suffer a wholly unnecessary and undesirable discrimination. It would also mean the setting up of trade barriers within the United States which would be contrary to the long-established principle of guaranteeing each part of our country the right to exchange its products freely with all other domestic areas. Furthermore it would mean that the Government of the United States would be acting in an extremely imperialistic manner by erecting trade barriers against the products of American citizens in its own territories, who would be legally powerless to defend themselves by setting up similar barriers against products from other parts of the country. Under such a policy, which would tend to be expanded from time to time as a result of the pressure of special groups, the economic welfare of the insular parts of the United States could be completely destroyed \* \* \*"

Statement by the Secretary of the Interior concerning sugar legislation, on July 22, 1937:

"\* \* \* The administration's concern is that Hawaii, Puerto Rico, and the Virgin Islands receive fair treatment. There is no limitation upon the refining of sugar in the mainland and there should be no discrimination with respect to the conduct of refining operations in our territories and island possessions. The provision which the refiners desire to become permanent law would deprive Hawaii, Puerto Rico, and the Virgin Islands of their rights to engage in interstate commerce in equality with the 48 States \* \* \*."

*Quota restrictions have reduced the sugar production of the Territory of Hawaii*

Year	Beet area (tons sugar) <sup>1</sup>		Louisiana (tons sugar) <sup>1</sup>		Florida (tons sugar) <sup>2</sup>		Hawaii (tons sugar) <sup>1</sup>	
	As made	Raw value equivalent	As made	Raw value equivalent	As made	Raw value equivalent	As made	Raw value equivalent
1931.....	1,150,000	1,230,920	157,000	158,300	24,000	24,185	988,012	1,018,047
1932.....	1,357,000	1,451,990	223,000	224,700	42,000	42,324	1,025,354	1,057,303
1933.....	1,642,000	1,750,940	205,000	200,510	40,000	46,355	1,035,548	1,063,604
Average per year.....	1,385,000	1,481,950	195,000	190,523	37,333	37,621	1,010,505	1,040,318
Minimum quota under Jones-Costigan Act.....		1,550,000		220,000		40,000		
Excess of minimum quota over average production:								
Tons excess.....		68,050		23,477		2,370		
Percent excess.....		4.7		10.7		6.3		
Final quota for year 1934 under Jones-Costigan Act.....		1,550,166		220,874		40,160		§ 970,704
Relationship of 1934 quota to average production:								
Excess in tons.....		74,216		24,351		2,530		
Reduction in tons.....								69,554

<sup>1</sup> Production as shown by U. S. Department of Agriculture Year Book.

<sup>2</sup> Production as reported by Willett and Gray.

<sup>§</sup> Total quota for Hawaii, including local consumption, 28,500 tons, raw value.

*Costs and returns of sugar in the years 1933, 1936, 1937, 1938, and 1939, for 33 sugar plantation farms in the Territory of Hawaii in 1939  
and for 32 plantation farms in other years*

	1939		1938		1937		1936		1933	
	Total	Per ton	Total	Per ton	Total	Per ton	Total	Per ton	Total	Per ton
1. Tons of sugar marketed (96° raw value).....	936,371		878,507		942,309		980,600		980,947	
2. Gross proceeds of sugar at market:										
(a) Sales proceeds at market.....	\$52,429,356.62	\$55.992	\$47,119,696.92	\$53.64	\$61,952,650.93	\$65.75	\$68,611,706.45	\$69.97	\$59,271,892.44	\$60.43
(b) Conditional payments <sup>1</sup> .....	7,772,191.09	8.300	7,528,939.08	8.57	3,675,329.85	3.90				
(c) Total proceeds.....	60,201,547.71	64.292	54,648,546.00	62.21	65,627,980.78	69.65	68,611,706.45	69.97	59,271,892.44	60.43
3. Cost of production and delivery to market:										
(a) Labor cost.....	22,847,227.42	24.400	24,836,653.00	28.27	23,981,321.00	25.45	22,475,916.00	22.92	19,342,266.00	19.72
(b) Material cost.....	17,397,977.67	18.580	18,085,398.00	20.58	19,135,611.00	20.31	16,865,009.00	17.20	17,092,485.00	17.42
(c) Rents.....	1,362,299.71	1.455	1,312,012.00	1.49	1,456,407.00	1.55	1,398,709.00	1.43	1,351,371.00	1.38
(d) Taxes in cost of crop.....	3,956,066.68	4.250	3,828,783.00	4.36	3,601,542.00	3.82	3,083,432.00	3.14	2,721,451.00	2.78
(e) Depreciation and amortization.....	4,381,205.71	4.679	4,336,468.00	4.94	4,026,349.00	4.27	3,855,418.00	3.93	3,685,628.00	3.76
(f) Marketing expense.....	6,891,197.22	7.359	5,962,822.00	6.79	6,361,676.00	6.75	6,400,449.00	6.59	6,006,517.00	6.12
(g) Total cost at market.....	56,859,973.81	60.723	58,362,126.00	66.43	58,563,206.00	62.15	54,138,933.00	55.21	50,919,718.00	51.18
4. Net proceeds.....	3,341,573.90	3.569	3,713,590.00	-4.22	7,064,774.78	7.50	14,472,773.45	14.76	9,072,174.44	9.23
5. Income taxes paid:										
(a) Federal.....	\$20,740.02	0.877	135,707.90		1,309,816.96		2,307,614.89			
(b) Territorial.....	209,372.15	.223	12,915.22		382,037.83		651,942.97			
(c) Total.....	1,030,112.17	1.100	148,623.12	.18	1,691,854.79	1.80	2,959,557.86	3.02		
6. Profit or loss.....	2,311,461.73	2.469	3,862,203.12	-4.40	5,372,919.99	5.70	11,513,215.59	11.74		
Percent of net worth.....	1.5		2.6		3.6		7.7			

<sup>1</sup> Does not include adherent planters' share of conditional payments.

<sup>2</sup> Conditional payments were made, pursuant to the Sugar Act of 1937, on sugar recoverable from sugarcane processed on and after July 1, 1937.

<sup>3</sup> Loss.

Annual average sugar prices as reported by official Government agencies on basis of market quotations; raw, refined, and retail, 1890-1939

(Cents per pound)

Year	Raw	Refined	Retail	Year	Raw	Refined	Retail
1890	5.445	6.171	6.0	1914	3.93	4.66	5.9
1891	3.863	4.641	6.0	1915	4.63	5.52	6.4
1892	3.311	4.346	5.6	1916	5.76	6.87	8.0
1893	3.680	4.842	5.9	1917	6.34	7.76	9.3
1894	3.240	4.120	5.5	1918	6.00	7.78	9.7
1895	3.270	4.152	5.3	1919	7.36	9.16	11.3
1896	3.621	4.532	5.6	1920	12.96	(1)	19.4
1897	3.557	4.503	5.6	1921	4.81	6.11	8.0
1898	4.235	4.965	5.9	1922	4.64	5.93	7.3
1899	4.410	4.919	5.9	1923	6.98	8.31	10.1
1900	4.566	5.320	6.0	1924	5.93	7.40	9.2
1901	4.047	5.050	5.7	1925	4.32	5.47	7.0
1902	3.542	4.455	5.8	1926	4.35	5.48	6.8
1903	3.720	4.638	5.9	1927	4.72	5.81	7.2
1904	3.974	4.772	5.9	1928	4.21	5.52	6.0
1905	4.278	5.256	6.0	1929	3.76	5.00	6.4
1906	3.686	4.515	6.1	1930	3.37	4.62	6.1
1907	3.756	4.649	6.3	1931	3.37	4.41	5.6
1908	4.073	4.957	5.5	1932	2.93	4.01	5.0
1909	4.007	4.765	5.9	1933	3.23	4.32	5.3
1910	4.19	4.97	6.0	1934	3.00	<sup>1</sup> 4.43	5.5
1911	4.45	5.35	6.1	1935	3.23	<sup>2</sup> 4.85	5.7
1912	4.16	5.04	6.3	1936	3.61	4.69	5.6
1913	3.51	4.26	5.5	1937	3.45	<sup>2</sup> 4.74	5.6
				1938	2.94	<sup>2</sup> 4.48	5.3
Average, 1900-13.	4.06	4.87	5.95	1939	2.90	<sup>2</sup> 4.57	5.4

Raw and refined prices from U. S. Tariff Commission as follows: 1890-1900 from Tariff Information Series No. 16, Refined Sugar Costs, Prices, and Profits (1920), p. 17; 1910-38, Statistics on Sugar (March 1939) p. 33. Retail prices from U. S. Department of Labor, Bureau of Labor Statistics, as follows: 1890-1922 from Bull. No. 464, Retail Prices 1890 to 1927 (1928) p. 6; 1923-36 from Bull. No. 635, Retail Prices of Food, 1923-36 (1938 p. 87-90); 1937-39 from Retail Prices (January 1938, 1939).

<sup>1</sup> No open-market quotation Jan. 1-Aug. 11, refiners' product being allocated. The average of Aug. 12-Dec. 31 was 11.300 cents.

<sup>2</sup> Includes processing or excise tax of 0.535 cents; June 8, 1934-Jan. 6, 1936, and Sept. 1, 1937.

### THE TAX-QUOTA-PAYMENT PROGRAM FOR SUGAR UNDER THE SUGAR ACT, WITH SPECIAL REFERENCE TO THE STATUS OF CONSUMERS, AND ALSO TO THE SO-CALLED LARGE PAYMENTS TO PRODUCERS

#### PREDICTED EFFECT OF TAX

As was officially predicted, the effect of the tax has not been to increase the price of sugar to consumers:

"\* \* \* 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."<sup>1</sup>

"Quotas influence the price of sugar through the control of supply; consequently under a quota regulation of the supply of sugar, a tax may be levied without causing any adverse effect, over a period of time, on the price paid by consumers.

"I recommend to the Congress the enactment of an excise tax at the rate of not less than 0.75 cent per pound of sugar, raw value. I am definitely advised that such a tax would not increase the average cost of sugar to consumers."<sup>2</sup>

#### ACTUAL EFFECT OF TAX

"Since the total quota for sugar was completely filled each year, the quota system definitely limited the quantity of sugar made available for sale in the United States, regardless of the processing tax. Consumers would pay only a given price and aggregate amount for such a quantity, depending upon the existing state of demand, which is largely influenced by consumer purchasing power. Therefore, the tax did not affect the retail price in any way, at least over any appreciable period of time, and so could not have been passed on to consumers."<sup>3</sup>

<sup>1</sup> Statement on sugar, by the Secretary of Agriculture, U. S. Department of Agriculture press release March 15, 1937, p. 9.

<sup>2</sup> Message from the President of the United States transmitting a recommendation for the enactment of the sugar quota system, and its necessary complements, March 1, 1937, H. Doc. 156, 75th Cong., 1st sess.

<sup>3</sup> An analysis of the effects of the processing taxes levied under the Agricultural Adjustment Act, published 1937 by the Bureau of Internal Revenue, p. 67.

"Since the tax was not borne by consumers or by refiners or distributors of cane sugar, and apparently was not borne by the manufacturers of raw sugar, it follows that the grower of cane sugar, as the residual element in the situation, did bear the burden of the tax as such."<sup>4</sup>

The tax under the sugar program has been borne principally by the producers of raw sugar and sugar beets, and the cost of sugar to consumers has not been increased. The following table illustrates these points by statistics for years when the processing or excise tax was in effect compared with years when there was no such tax:

[Cents per pound]

Years	Average 1909-13	1935	1936	1938	1939
Price of raw sugar <sup>1</sup>	4.10	3.20	3.00	2.94	2.99
Processing or excise tax		.50		.50	.50
Refining and distributing margin (by difference)	1.85	2.00	2.00	1.86	1.91
Retail price of refined sugar <sup>2</sup>	5.95	5.70	5.60	5.30	5.40

<sup>1</sup> Bureau of Agricultural Economics, U. S. Department of Agriculture.

<sup>2</sup> Bureau of Labor Statistics, U. S. Department of Labor.

The sugar program is a self-financing arrangement under which the tax is taken out of the normal gross proceeds of sale of sugar, and principally reduces the income of the raw producer, who then, upon compliance with certain conditions, receives the remainder of his normal proceeds in the form of the conditional compliance payment. The total proceeds—sales price and conditional payment—are intended to return to the raw producer his normal share of the aggregate income of the domestic sugar industry.

The basic fact is that the tax on sugar is not a price-raising device at all. The sole purpose and effect is to withhold temporarily from cane and beet producers a substantial part of their normal income, in order to use it later in payments to producers as an irresistible incentive to carry out production adjustment and marketing control, as well as to induce them to meet standards for employment and soil conservation deemed necessary for the success of the program.

As long as the tax remains in effect, any denial or drastic curtailment of conditional compliance payments to any group of domestic producers would inflict an injustice on all producers thus discriminated against, and would, if carried very far, prove financially disastrous to many of them.

The conditional compliance payment under the sugar program is not a burden on either taxpayers or consumers. It is, as has been explained, merely a practical device for inducing producers to carry out certain practices deemed by Congress to be essential and desirable from the standpoint of the general welfare, such as—

- (1) The payment of officially determined minimum wages.
- (2) The observance of minimum ages for employees.
- (3) The adjustment and control of production and marketing.
- (4) The payment by processors of not less than officially determined minimum prices for sugar beets or sugarcane.
- (5) The carrying out of farming practices intended to preserve and increase the fertility of the soil.

A producer who has complied with the prescribed conditions has earned, and by right should receive, the payment for which he has thus qualified under a self-supporting program. The tax reduction in the proceeds of sale of the raw product makes it necessary for all producers to qualify for and receive the conditional payment in order to realize a normal return. Large-scale producers, under the graduated scale of reductions which is incorporated in the Sugar Act, receive in conditional compliance payments considerably less than the amount contributed through the tax on the sugar they produce.

A scale of reductions in payments based on mere size of the production unit must necessarily give an inequitable result because there is no direct relationship between the cost and the scale of production. It is incorrect to assume that large producers necessarily make large profits. Some large producers make little

<sup>4</sup> An analysis of the effects of the processing taxes levied under the Agricultural Adjustment Act, p. 70. Note that this applies to cane sugar. In case of beet the new tax program caused some shift of income from processors to producers, as explained and predicted in March 15, 1937, statement of the Secretary of Agriculture.

profit, and some make more. The same is true of small producers, some of whom produce at high cost and some at low cost. Those few large and small producers who have been fortunate enough to make substantial profits pay large income taxes, and thus are subject to a levy on net income.

In fact, it will be noted that any adjustment of producer income should be based on profits and not on merely the size of the farm in order that a program may operate successfully. This was pointed out by the Department of Agriculture in a letter to the Senate, as follows:

JULY 1, 1939.

Hon. E. D. SMITH,  
*Chairman, Senate Committee on Agriculture and Forestry,  
 United States Senate.*

\* \* \* \* \*

Technical aspects of S. 2395:

It is suggested that consideration be given to the following possibilities of improving the technical provisions of S. 2395:

\* \* \* \* \*

2. By modifying the provision in section 340 (b) whereby the certificate allotments per farm would be scaled down as the total number of bushels increases. It is possible that this provision was included on the assumption that large producing units have a marked advantage from the standpoint of efficiency in production. If this assumption were correct, the ultimate effect of these scale-down provisions would be to foster the adoption of less efficient production units. On the other hand, efficiency of production seldom, if ever increases in any given proportion to the increases in the size of the enterprise. Some small farms are low-cost producers and some large farms are high-cost producers. Consequently, these scale-down provisions would not be an equitable means of avoiding excess profits. The equitable and nondiscriminatory device for this purpose is a tax on the things themselves, namely high net incomes and excess profits.

HARRY L. BROWN,  
*Acting Secretary.*

Sugar production in the Territory of Hawaii has necessarily developed as large-scale operations. It takes 2 years to grow a crop of sugarcane, irrigation and transportation systems had to be built at great cost by the producers, and various natural conditions made large scale farming of sugarcane essential to successful production.

Sugar producers in Hawaii made drastic reductions in production in conformity with sugar quota legislation, and they have complied with both the letter and the spirit of the Sugar Act. They employ large numbers of men on a year-round basis at good wages. The official wage determinations made pursuant to the Sugar Act have been higher for sugarcane workers in Hawaii than for any other sugarcane producing area. One of Hawaii's principal concerns in this matter is that it shall not be so penalized and discriminated against as not to be able to maintain these highly desirable standards. The Secretary of Agriculture, in his annual report for the year 1939 (p. 108) said:

"Hawaiian sugar producers have worked out a system, not found in any other domestic sugar-producing area, which makes it possible for their laborers to work the year round, while the value of the perquisites furnished these laborers is relatively high."

The large scale producers in Hawaii have voluntarily borne the entire decrease in production, thus relieving the more than 3,000 small growers of any part of the burden of production adjustment.

Under the circumstances, we believe it is manifestly clear that any further arbitrary denial of tax proceeds to large scale producers would be inequitable among individuals, discriminatory among producing areas, and an impairment of an industry's efficiency of production.

The CHAIRMAN. Mr. Charles P. Kearney. Mr. Kearney is head of the National Beet Growers Association. All right, Mr. Kearney.

#### STATEMENT OF CHARLES P. KEARNEY, REPRESENTING THE NATIONAL BEET GROWERS ASSOCIATION

Mr. KEARNEY. Mr. Chairman and gentlemen of the committee, in compliance with the suggestions of the chairman that brevity was

extremely important, I am just going to ask the privilege of putting a brief statement, which I have prepared, into the record and just taking 2 minutes or less orally. Would that be satisfactory, Mr. Chairman?

The CHAIRMAN. Yes, indeed.

Mr. KEARNEY. Gentlemen, the National Beet Growers Association needs this legislation. Our members, our farmers in our irrigated valleys, need the protection afforded by the quotas, the tax, and conditional payments. It would be a serious thing with us if this legislation failed. We have our agricultural economy built around a continuation of the sugar industry in the West and we need the protection that this, or some other method, affords us.

I agree heartily with the chairman's suggestion that it is necessary, that this legislation be squeezed through at this time and I am all for a "squeeze play" as to this sugar bill that is before you.

I thank you.

The CHAIRMAN. All right, Mr. Kearney. Thank you.

(The brief of Mr. Kearney is as follows:)

#### BRIEF OF CHARLES P. KEARNEY, NATIONAL BEET GROWERS' ASSOCIATION

Mr. Chairman, and members of the committee, I appear on behalf of the National Beet Growers' Association, of which I am president. Our association is an organization of farmers living in the Western Plains States, the Rocky Mountain States, and along the Pacific coast. It is a cooperative, its membership consisting of State and regional cooperative sugar-beet associations in South Dakota, Nebraska, Colorado, Wyoming, Idaho, Montana, Utah, Washington, and California. In these States is produced more than 80 percent of all sugar beets grown in the United States. We have, therefore, a substantial interest in the domestic sugar market and in all legislation affecting sugar.

Five months ago I appeared before the House Committee on Agriculture to testify with respect to the sugar bills then pending. At that time I discussed at length the goal toward which effective legislation should be directed. Our views have not changed: On the contrary, we feel that the intervening months have demonstrated the soundness of the proposals which we placed before the House committee. These proposals are a matter of record, and my purpose here today is to review them as briefly as possible.

In my testimony before the House committee, I stated that we approved, with certain amendments, the extension of the Sugar Act of 1937. Chief among these suggested amendments were proposals intended to relieve the current-price situation, and to bring the quota for beet sugar into line with the production of recent years. The attainment of these two goals remains our primary objective, and I appeal to the members of this committee to give them the earnest and sympathetic consideration which they merit.

#### THE PRICE OF SUGAR

The central fact with respect to sugar prices is that the average net price being received for beet sugar today is the lowest in history. There is nothing in the record that can equal it.

The average net price for beet sugar today is less than it was when I appeared before the House Committee on Agriculture and called attention to the absolute need for bold treatment of this problem. It is lower than it was in 1937, when the present Sugar Control Act was made law. It is lower than it was in 1934 when the Jones-Costigan amendment to the Agricultural Adjustment Act was approved—a time when the President himself stated that the price condition then prevailing was "prejudicial to virtually everyone interested." It is now lower even than it was in the depths of the depression of 1932, and there seems to be no bottom.

In 1932 the average net price received for beet sugar was 3.69 cents a pound.

In 1934, when the Jones-Costigan amendment was enacted, the price was 3.54 cents.

In 1937, when the present law was enacted, it was 4.25 cents.

Last year it was 3.29 cents.

Today it is little more than 3 cents.

This price situation has become an unwarranted and cruel burden on sugar-beet producers. In many large areas of the West farmers have no other cash crop than sugar beets. Their income from this crop, aside from conditional payments of the Federal Government, is based on the sugar content of the beets and the net return which the processor receives from the sale of sugar extracted from the beets. Under these circumstances, the price of sugar is a matter of paramount importance to the sugar-beet farmer because it directly affects his income.

These net prices for beet sugar are, obviously, a reflection of abnormally low retail prices, which for the last 2 years have been almost without precedent. These prices have resulted from the pressure exerted upon the market by the excessive supplies of sugar made available under the quotas of the Sugar Act. At the beginning of the current year the excess stocks of all sugar on hand and available for marketing amounted to more than 900,000 short tons, about 400,000 tons more than a normal inventory. The influence on prices of these excessive stocks has been disastrous, and remedial legislation is therefore imperative. We do not seek excessive prices. We merely ask that prices be rescued from depressed levels and restored to normal levels so that producers may obtain parity prices for sugar beets as calculated under the Agricultural Adjustment Act of 1938. Parity is sought for all farm commodities—sugar beets as well as other crops—and since it can be definitely achieved at retail sugar prices not in excess of those traditionally regarded as fair and just, it is submitted that no valid argument can be lodged against a proposal for a price which will result in parity for sugar beets.

For his 1938 crop, based on the national average, the farmer received, including conditional payments, \$6.52 per ton of beets, representing 94.1 percent of the applicable parity price of \$6.93 per ton. To all farmers this deficiency amounted in the aggregate to \$3,750,000. At present price levels, the farmer will unquestionably receive far less than parity for his 1939 crop. It is impossible to estimate what price will eventually be received for the crop now growing, but unless there is a marked improvement in the situation the price will not be within shouting distance of parity.

#### THE BEET-SUGAR QUOTA

An increase in the beet-sugar quota is necessary to prevent a sharp curtailment of production, and the perpetuation of restraints upon farmers living in areas well suited to beet growing but who, under the existing act, are prohibited from participating in the sugar program. In each of the last 2 years beet-sugar production from acreage allotted under the Sugar Act has increased far beyond the quotas provided by that act. The crop now growing may be fairly expected to yield a total amount of sugar well above the current quotas without the aid or contribution of any new areas.

It must be emphasized, however, that an increased quota for the beet-producing area does not necessarily represent expansion. In 1938 when the beet-sugar quota was 1,584,083 short tons, raw value, the actual production of beet sugar was more than 1,803,000 short tons, raw value, an excess of production over quota of 219,000 tons. In 1939 before the suspension of the quotas by the President, the quota for the beet-sugar industry was 1,566,719 short tons of sugar, raw value. Production from that crop was more than 1,750,000 short tons, raw value, an excess of production over quota of 183,000 tons. The unlimited acreage allotted by the Secretary for 1940 sugar-beet planting undoubtedly will produce an amount of sugar far exceeding the quota, but it is yet too early to make accurate forecast of the volume of this excess.

It becomes plain, then, that the authorized production of beet sugar has outgrown the basic quota established under the Sugar Act, and unless that quota be revised to satisfy existing conditions it will be necessary sometime in the future to take out of production areas now devoted to sugar beets. In the irrigated sections of the West sugar beets are traditionally a part of the farming practice. Pursuit of a sound farm economy and compliance with certain soil-conserving requirements have resulted in the rotation of crops in accordance with a plan which perennially contemplates the production of sugar beets. Farmers plan their operations in accordance with this well-established practice. They have investments in equipment useful only in the production of beets, and the elimination of beet production from their general farming plans would work a real hardship. The byproducts of sugar production are used to maintain extensive livestock feeding operations. These operations are an important factor in the settled farm economy of the area.



## OTHER AMENDMENTS

In addition to proposed amendments dealing with prices and quotas, we advocate other amendments as follows:

1. Section 301 (b) of the present act makes Government payments to growers conditional upon payment by growers of wage rates established by the Secretary. This condition should be eliminated. Its elimination is consistent with the absence of such conditions in any other farm program.

2. Section 301 (c) makes Government payments to growers conditional upon compliance with certain farm practices established by the Secretary. This condition should also be eliminated, since if such compliance be desirable it should be made part of the soil conservation program and not part of the sugar control program.

3. Section 304 (a) should be amended by adding a new sentence providing that the Secretary shall make an advance payment at the rate of 45 cents per 100 pounds of sugar to a producer of beets as soon as it has been determined that planted acreage conforms with the proportionate share allotment of the producer. Such a provision would follow the practice with respect to the time of Federal payments under the Jones-Costigan amendment.

4. Section 304 (c) should be amended to provide, in cases where there are more than one producer on a single farming unit, that the total payment for the farming unit be subjected to reduction only to the extent that the proportion or interest of each producer in the total sugar produced on the farming unit comes within the quantities specified in the scale-off. This will obviate existing hardships upon landlords and tenants where several farms under separate ownership are operated by a common tenant as a single unit.

5. Section 402 should be amended by adding a new subsection as follows:

"(c) If the tax under this section shall be terminated or become inoperative such tax due with respect to any sugar then unsold or unused in the hands of the manufacturer shall be abated (if payment shall not then have become due) and the tax upon such sugar shall be refunded to the manufacturer if it shall have been paid."

The need for this amendment is explained by the fact that the entire output of the beet-sugar industry is largely manufactured within a 90-day period. The tax becomes due at the moment of manufacture even though it is payable monthly as the sugar is sold, and in any event, regardless of sale, within 1 year from date of manufacture. Under these circumstances, it is entirely possible that the industry might have a substantial part of its production on hand at a time when the tax became inoperative. If the industry were forced to sell sugar to which the tax had attached in competition with sugar manufactured after the tax had become inoperative, which would be tax-free, substantial losses would be incurred by growers and processors.

The CHAIRMAN. Mr. L. A. Crosby. Mr. Crosby represents the United States Cane Sugar Refiners Association. All right, Mr. Crosby.

#### STATEMENT OF L. A. CROSBY, REPRESENTING THE UNITED STATES CANE SUGAR REFINERS ASSOCIATION

Mr. CROSBY. Mr. Chairman, and members of the committee; I appear here on behalf of the United States Cane Sugar Refiners Association. Mr. Ellsworth Bunker, who is chairman of that association, had intended to appear before your committee and had prepared a statement for that purpose. Unfortunately he was called out of town yesterday and he asked me to appear on his behalf and present his statement for incorporation into the record.

The CHAIRMAN. Without objection it will be incorporated.  
(The statement of Mr. Bunker referred to is as follows:)

STATEMENT MADE BY THE UNITED STATES CANE SUGAR REFINERS' ASSOCIATION,  
MR. ELLSWORTH BUNKER, CHAIRMAN

#### INDUSTRY AND REPRESENTATION

The refining of raw cane sugar has been carried on in this country for over 200 years, and today this national industry is located in Massachusetts, New York,

New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, Texas, and California, and also in Illinois, Wisconsin, and Indiana. The 12 refining States represent over 50 percent of the population of the United States.

The United States Cane Sugar Refiners' Association has a membership of 9 refining companies which operate about 14 plants. These refineries account for about 70 percent of the present total continental output of about 4,200,000 short tons of refined cane sugar.

#### POSITION ON BILL

In 1934 we testified before Congress that our industry would cooperate in every way with the Government in setting up a quota program which would stabilize the sugar industry in all of its branches. This was our position in 1937 and it remains our position in 1940. Specifically, we do not oppose the enactment of the sugar bill, H. R. 9654, in the form in which it was passed by the House of Representatives on June 20. But we must urge you to oppose any amendment to the sugar bill which directly or indirectly would decrease our present refining quota, or which would increase the quota for any other refining group without allowing us to share proportionately in such increase.

You will recall that the Sugar Act of 1937, which H. R. 9654 would extend for 1 year, divides the total refined sugar market among the three refining groups in approximately the following amounts:

	Refined sugar
Continental refiners of raw cane sugar.....	4, 200, 000
United States beet sugar factories.....	1, 500, 000
Tropical plantation refineries (Cuba, Hawaii, Puerto Rico, and the Philippines).....	600, 000
<b>Total.....</b>	<b>6, 300, 000</b>

#### THE QUOTA SYSTEM HAS NOT IMPROVED THE POSITION OF REFINING LABOR

The United States cane sugar refining industry gives work to about 18,000 men and women who have a gross wage income of about \$29,000,000 a year. These employees receive the highest wage scale of any branch of the American sugar system. With the exception of the refineries in two Southern States, the industry is 100-percent unionized, collective bargaining being in force with units of the American Federation of Labor and the Congress of Industrial Organizations.

Since 1934, the amount of work available to the men and women in the cane sugar refining industry each year has been on the average about 1,000,000 tons less than the work available in 1925 and 1926. On the other hand, labor in beet sugar refining and labor employed in the tropical refineries has had, under the Sugar Act, 1,000,000 tons more work each year than it had in 1925 and 1926. Thus, as compared with the year 1926, the volume of work in our industry has shrunk by about 20 percent, whereas the combined work in the other two refining groups has increased by 100 percent.

But our industry has not laid off 20 percent of its employees, nor has there been a 20-percent decrease in the hours of work made available for the men. The men have been protected, as far as possible, by a general policy of spreading work, and the net result is that there are more man-hours of employment than would normally be necessary to refine the reduced output of sugar. Of course this brings an increase in operating expenses, an increase which is reflected in reduced earnings for the investor. But even under a spread-work policy and with high minimum wages of between 65 and 70 cents an hour, it is difficult for the worker to earn a total yearly wage sufficient to furnish his family with the necessities of life on a decent American scale.

Labor and management in the domestic cane-sugar-refining industry are making a sincere attempt to make available as much work as possible. Under these circumstances, it can be understood why we must vigorously oppose any further inroads upon our volume of output through any modification of the existing quotas.

#### THE QUOTA SYSTEM HAS NOT IMPROVED THE POSITION OF THE REFINING INVESTOR

The 70,000 investors in the domestic cane-sugar-refining industry have been hard hit since 1934. The record clearly shows that these investors, like the refinery employees, have not shared in the benefits which other sugar groups have enjoyed. There is only one cane-sugar-refining company in the United States

which reports having paid dividends on its common stock continuously since 1934. And whereas the market value of our industry was \$232,000,000 when the first Sugar Act went into effect in July 1934, the value today, as measured by the price of shares of stock currently quoted on the open market, is around \$112,000,000, a decline of 50 percent. In the 6 years under the Sugar Act, our industry has earned on an average only \$3,500,000 a year, or about 1.8 percent on its investment. Some of the refining companies have had losses in this period.

Investors in the other important branches of the American sugar industry have fared much better; for example their enterprises have earned a net income, as a percent of capital, of from about 10 percent in the case of Puerto Rico to about 6 percent in the case of Hawaii.

#### REASONS FOR THE DECLINE OF THE POSITION OF THE INDUSTRY

The employees and investors in our industry have not benefited under the Sugar Act for at least three reasons:

In the first place, our industry does not receive, directly or indirectly, any of the income protection which is afforded other American sugar groups. Our refining industry neither receives a price protection through tariffs or quotas, nor does it receive cash subsidies from the Federal Treasury. On the other hand, we must compete with the domestic beet-sugar refiners and the American tropical cane-sugar refiners who do receive such benefits.

Secondly, beet-sugar refiners and the refiners in the American tropics have received marketing quotas for their refined sugar which have permitted them to operate at a full volume of output. You will recall that the Sugar Acts of 1934 and 1937 assigned the refiners in Hawaii and Puerto Rico a yearly marketing quota equal to their previous maximum deliveries, and the beet-sugar factories received a refined sugar quota somewhat higher than their marketings in any previous year. On the other hand, the continental cane-sugar refining industry received a quota of about 1,000,000 tons a year less than its previous maximum yearly sales, and the industry now operates at something less than 60 percent of capacity.

Thirdly, the refining industry has had serious losses from the sharp fluctuations in sugar prices which have arisen under the quota system. The refining industry purchases about \$250,000,000 of raw sugar a year, and, to maintain an adequate supply for consumers, it must always carry a substantial part of that sugar as inventory, either in a raw or refined form. Sudden and unpredictable changes in prices, resulting largely, although not entirely, from shifts in the quota policy of the Department of Agriculture, have made it difficult for the refiners to purchase their raw sugar in an orderly manner and to avoid severe inventory losses.

#### THE PRESENT BILL WILL MERELY CONTINUE THE STATUS AS OF SEPTEMBER 1937

The sugar bill, H. R. 9654, will not improve the position of the employees and investors in the continental cane sugar-refining industry. The bill merely continues the 1937 Sugar Act in the form in which it was written by the Congress. Of course, we are extremely gratified that the House of Representatives, by a vote of 134 to 20, restored the quotas on refined sugar from Hawaii and Puerto Rico. Without that provision, we and our employees could not possibly go along with this bill. But even with this provision, there is nothing in the bill which would provide relief for the disadvantages presently suffered by our industry under the quota system.

We continue to have no tariff protection as against our most important tropical competitor, the Cuban refiners, and of course, we do not receive, nor do we ask for, cash subsidies from the Federal Treasury. There is nothing in the bill which would assure the refining industry of more stable prices and less risk of inventory loss. And finally, the bill would not increase the quota assigned to our industry in previous quota legislation, which forces us to operate at a depressed level of output. On the other hand, about 600,000 tons of refined sugar produced by tropical labor will continue to come into this country every year, and the beet-sugar factories will continue to have a marketing quota which will permit them to produce and sell a normal full volume of sugar.

#### NO INCREASE IN THE QUOTA FOR TROPICAL REFINED SUGAR

This spring, when the House of Representatives held public hearings upon the sugar bills, there was little objection on the part of the sugar industry generally to the continuation of the general quota plan for 1 year, but two important

deviations from it were proposed. The first proposal was made by the sugar industries of Hawaii and Puerto Rico for an unlimited quota in their sales of refined sugar to continental United States. Our industry vigorously opposed this proposal to eliminate the refined-sugar quotas which Congress provided in the Sugar Acts of 1934, 1936, and 1937. In our testimony we stressed the following points:

First, any increase in tropical refining for this market automatically brings a decrease in refining in continental United States. The reason for this is that the continental refiners are prohibited from buying their raw material, raw sugar, except from those areas and in those amounts prescribed by the Sugar Act. Hawaii and Puerto Rico are given a monopoly on supplying the refiners with about 1,600,000 tons of their raw-sugar requirements. If those islands were permitted to retain this raw sugar for refining, the continental refiners would not be allowed under the quota law to purchase their raw material from any other source to fill the gap, and consequently, the output of our industry would decline by approximately 33 percent. To our knowledge, no other American industry operates under a comparable prohibition. For example, a roaster of coffee or a tire manufacturer is free to import any amount of coffee or rubber from any source at any price.

Secondly, the refiners in the American tropics are sugarcane growers and, as such, they have received their share of the \$522,000,000 direct and indirect subsidy which has been paid to Hawaii and Puerto Rico by the American Treasury and consumers since 1934. We believe it would be both unfair and contrary to the theory of the quota system to permit the heavily subsidized refiners in the American tropics to expand their operations at the expense of the nonsubsidized continental industry.

Thirdly, labor conditions in the tropics are fundamentally different from those in the United States. The substantial difference in wage scales is well known. The Wagner Act does not apply to Puerto Rico, and collective bargaining, according to the Department of Agriculture, is not a part of the plantation system in Hawaii. And although the Wages and Hours Act applies to Hawaii, the act has not full application to Puerto Rico, inasmuch as an amendment to the act last spring opened the way for exemption, through administrative action, from the payment of the minimum wages required to be paid in continental United States (sec. 3 (c) Public Res. 88).

#### AN INCREASE IN REFINED BEET SUGAR WOULD REDUCE REFINED CANE SUGAR

Under a quota system, an increase in the quota for beet sugar would bring a decrease in the quota assigned to the raw sugar producers in the tropics. This would mean, other things remaining equal, that our industry could obtain less raw cane sugar and obviously, with less raw material available, there would be less refining. It could hardly be expected that any American industry would look with favor upon any legislation which would arbitrarily reduce its volume of business, especially while increasing that of its competitors.

The quota system enacted in 1934 provided for a sharing of the American market among the various producing and refining groups in accordance with a formula deemed to be fair by Congress. The underlying philosophy of the quota system was that continental beet sugar producers were to receive price protection and cash subsidies which would give them a fair or parity income upon their allotted production. To qualify for these subsidies, farmers were not asked to reduce their production, but merely to forego the right to further expand their output. We believe that it is self-contradictory to establish a quota system and then permit an expansion of the quota of any one group at the expense of any other group.

An alternative to the present quota system is to return to a tariff system, such as that existing before 1934. The tariff system is a freer system in the sense that there is no quota limitation upon the growth of any group, domestic or foreign. But although the tariff system would give everyone the right to expand, there would be no cash subsidies paid to anyone. Under the present system the truth is that cash subsidies are in effect paid to an expanding production, or at least they operate to promote expansion. For several years our refining industry has suffered the disadvantage of having no tariff protection, while our chief competitors enjoy high protection.

We do not believe that a continuation of the status quo for quotas will be harmful to the beet-sugar industry. The official record shows that since 1934

American beet farmers, with cash subsidies, have received approximately full fair exchange for their product and, unlike other farmers, they have not had to reduce their output. No evidence is before us to show that a continuation of the present beet quota would work a positive hardship upon any beet-sugar factory. But there is plenty of evidence to show that an expansion of that quota would work a definite hardship upon the men and women in our industry, who are now only partially employed, and upon the investors in our industry, who have suffered substantial losses in recent years.

**EXPANSION OF BEET QUOTA CANNOT BE DEFENDED ON GROUNDS OF NATIONAL DEFENSE**

Some persons who advocate an expansion of the beet-sugar quota maintain that such expansion is necessary in order to assure this country of an adequate wartime supply of sugar. As we view it, an expansion in the beet-sugar industry in 1940 cannot be supported on the grounds of national defense.

It is true that there was a slight reduction in the consumption of sugar in the last war, but this came about only because the United States had to send some 2,000,000 tons of sugar to its Allies—England, France, and Italy. There was a substantial increase in the total supply of refined sugar available in this country in 1917 and 1918. Some rationing took place in sugar—as in meat, flour, and other food products—only because this country had assumed the enormous burden of feeding millions of persons in war-stricken Europe. The United States Food Administration, controlling the entire sugar industry, sought larger sugar supplies for Europe and made every attempt to expand domestic production. But the record shows that during the last World War no expansion of production took place in the beet-sugar industry or in the cane-sugar industries in Louisiana, Hawaii, or Puerto Rico. Cuba, alone, had the ability to increase her production of raw sugar and this sugar was imported and refined by our industry under the direction of the Food Administration. A serious sugar shortage in this country was thereby avoided.

And when sugar prices skyrocketed with other foods in the general speculative mania of 1920, due in the case of sugar to premature removal of Government control, the continental refiners again played a leading part in maintaining adequate supplies. There was actually more refined sugar available for consumption in this country in 1920 than there was in any previous year. But again this increase in supply did not come from continental producers, but from the substantial expansion which took place in the importations by the continental refiners of overseas raw sugar. Unless prohibited by legal obstacles, unduly high domestic sugar prices will always bring foreign sugars into this country in times of stress.

**UNLIKE 1917, PRESENT AND PROSPECTIVE SUGAR SUPPLIES ARE AMPLE**

Today the stocks and prospective supplies of sugar in the United States are at record-breaking levels; supplies of sugar in the Western Hemisphere and throughout the world are ample. These generous supplies of sugar are reflected in the fact that the price of raw sugar, outside the American quota protective wall, is now less than a cent a pound, whereas in 1915, one year after the outbreak of the first World War, the price was over three cents a pound.

It is the general consensus of opinion in this country, we believe, that if this Nation becomes involved in the second World War, it will be to defend our legitimate interests in the Western Hemisphere. If war comes to us, we will not be called upon to send sugar to the Latin-American countries because these countries now produce more sugar than they consume. In fact, the Western Hemisphere has an exportable surplus of sugar of some 1,000,000 tons a year. Along with wheat, meat, cotton, tobacco, and coffee, there is an abundance of sugar in the Western Hemisphere.

Even if the supply of Hawaiian and Philippine sugars were entirely cut off, there would be no shortage of sugar in this country. Cuba expanded her production by over 1,000,000 tons in the last World War, and today she has the capacity to expand her output by 2,000,000 or 3,000,000 tons. Some expansion would no doubt occur in other islands in the Western Hemisphere, probably Puerto Rico and Santo Domingo. And the continental refining industry has, at the present time, the capacity to refine enough tropical raw sugar to supply all the needs of

this country. These are probably the reasons why the expert of the War Department, in testimony in February 1939 before the House Committee on Military Affairs and War Materials, did not recommend the accumulation of sugar supplies or the enlargement of present production capacity in continental United States.

#### THE QUOTA SYSTEM GIVES SUBSIDIES TO REFINERS IN THE AMERICAN TROPICS

My final point relates to the claim made by the Hawaiian and Puerto Rican sugar refiners that, as growers, they do not really receive cash subsidies from the Federal Treasury. In testimony before the House Committee on Agriculture, spokesmen for Hawaii and Puerto Rico maintained that the \$78,000,000 received in cash subsidies since 1934 were not subsidies at all, but merely a rebate to them of taxes taken out of the proceeds of the sale of their sugar. As we see it, the facts clearly indicate otherwise. The cost of protecting sugar producers, including those in Hawaii and Puerto Rico, that is to say, the cost of maintaining for them a domestic price level which is very substantially above the free world-market level, always has been and always will be paid for by American consumers and taxpayers. It is not paid by the producers themselves. A so-called self-liquidating subsidy system for sugar is a clear contradiction of terms.

The continental cane-sugar refining industry pays about \$45,000,000 a year as a manufacturers sales tax upon refined sugar. This tax is a cost of doing business, and, as in the case of other costs, the refiners must look to the consumer to recoup this outlay. This \$45,000,000 goes into the Federal Treasury and, in turn, is paid out as subsidies to American sugar producers, including those in Hawaii and Puerto Rico. This cash is a part of the total contribution of from \$300,000,000 to \$350,000,000 which, according to the Secretary of Agriculture, is made by consumers each year to assist the sugar-producing industry. The quota-subsidy plan works as follows:

The sugar quotas raise and maintain the price of sugar in the United States well above the world price, because quotas artificially limit the quantities of sugar which can come to the market. This gives the sugar producer a substantial price protection. In addition, the grower receives a direct cash bounty from the Treasury. Since the Sugar Act went into effect in 1934, the total protection which has been realized by sugar producers has been on the average 2.51 cents per pound, or an ad valorem equivalent of 240 percent. This total protection per pound is 22 percent higher than the tariff on raw sugar under the Tariff Act of 1930, and is the highest in the history of the American sugar-producing industry.

We do not oppose equitable treatment for American sugar producers, whether in continental United States or in Hawaii or Puerto Rico. But we do maintain that the receipt of cash subsidies by the refiners in Hawaii and Puerto Rico gives them a competitive advantage over our own industry which is nonsubsidized and also without tariff protection. We believe these facts should be recognized by Congress in its determination of our national sugar policy.

#### CONCLUSION

In conclusion, we urge that if the quota-subsidy system is to be continued, then there should be no increase in the quotas for the tropical refining industry or the beet-sugar industry and that H. R. 9654 should be passed in its present form.

The CHAIRMAN. Mr. C. J. Bourg. Mr. Bourg represents the Farmers & Manufacturers Beet Sugar Association of Saginaw, Mich.

#### STATEMENT OF C. J. BOURG, REPRESENTING THE FARMERS & MANUFACTURERS BEET SUGAR ASSOCIATION, SAGINAW, MICH.

Mr. BOURG. Mr. Chairman and members of the committee, the position of the Farmers & Manufacturers Beet Sugar Association, which represents 20,000 growers and processors of Michigan, Ohio, Indiana, and Wisconsin, is that the law is not satisfactory in its present provisions; but in view of the pressure for adjournment that it would be preferable to have an extension of the act until next year, at which time it is understood that there will be a full consideration

of the whole sugar program and an opportunity given for either changing the program or making important amendments.

We would like to submit for the record a statement outlining our position as presented at the House hearings, and also two tables discussing the retail price of sugar which was the subject of some discussion this morning.

The CHAIRMAN. That will be printed in the record. Thank you very much.

(The matter referred to by Mr. Bourg is as follows:)

My name is J. B. Smith, a farmer from Gratiot County, Mich. I am the president of the Alma Sugar Beet Growers, Inc., of Alma, Mich., a local association of 1,700 beet growers. I am also vice president of the Farmers and Manufacturers Beet Sugar Association of Saginaw, Mich., and chairman of the group of 14 local beet growers' associations in the eastern sugar-beet area, which are affiliated with this association. These associations represent more than 20,000 beet growers.

There are three general principles which should be recognized in discussing the subject of sugar legislation. The application of these principles must be with reason and due regard to the welfare of numerous groups in this country and abroad.

These three fundamental principles on which we believe all sincere and patriotic Americans can wholeheartedly unite are:

1. Our inherent right to produce;
2. Our right to sell in a protected market; and
3. Our right to enjoy a normal growth and expansion of the industry.

First, our inherent right to produce: In view of the fact that sugar is a non-surplus agricultural commodity, the farmers of the continental area, producing less than one-third of the normal consumption of the United States, we feel that it is our inherent right to produce sugar up to the maximum of our ability, consistent with good farming practices and depending upon the ability of the market to consume at fair and reasonable prices.

Consistent with this firm belief, we wonder why it ever should become necessary for us farmers to have representatives and delegations appear before any congressional committee to plead for this fundamental principle, which we feel is and should be primarily and consistently the American point of view. "The American market for the American farmer."

Every dollar of increase in farm income means \$1 increase in industrial pay rolls and \$7 increase in national income.

Each acre of increase in sugar production takes out of production one or more acres of surplus crops, which materially helps to solve the general farm situation.

It is estimated that it requires 8 man-hours of labor to produce a hundred-pound bag of refined sugar from beets or cane grown in continental United States; therefore, increased sugar production in continental United States will aid greatly in reducing and solving the unemployment and welfare relief problem.

Our right to produce has been recognized this year in the action of the Government in finally removing all restrictions on acreage allotments for sugar beets. We trust that this will continue to be a recognized policy of the Government in dealing with sugar production, and that necessarily the right to market this sugar will be permitted.

The second fundamental principle—protection in our markets: Most certainly we can all agree that the American standard of living should be preserved.

We feel that we should, in the production and sale of sugar, be protected in our American market. This protection should be in the form of a tariff sufficiently high to protect our higher production costs, owing to our higher standards of living and wage scales, as against competing sugars produced under tropical conditions.

For any reduction from such a tariff we as growers should be compensated with a benefit payment equal to the amount of the tariff reduction.

Under all conditions, we feel that a quota system is necessary in order to limit the importations of foreign sugars to an amount only sufficient to balance our consumption with our domestic production.

Now let us consider the third fundamental principle, which is the right to normal expansion.

Every American industry wants to progress. That is the spirit of our people. We believe that the American sugar industry should be permitted to expand normally in a protected market and that such a program of protection and expansion

is essential for this industry as well as the consuming public in peacetime, and more especially still in times of war.

Great Britain and Holland have tropical islands and dominions which produce sugar in large quantities with cheap labor, but there is a beet-sugar industry in England and a beet-sugar industry in Holland, both of which are encouraged and subsidized by their governments as a safeguard so the consumers will always have a home supply of sugar in times of war and emergency, and because the growing of sugar beets in rotation with other crops is recognized as a beneficial farming practice.

We very strongly urge that the American sugar industry be permitted to expand normally so that we may eliminate the danger of foreign interests gaining control of our sugar market in time of emergency or war to the detriment of the American consuming public, as has happened in the past.

Should we not, in all fairness and consistency, in view of the Government's permission to produce, be permitted to sell the sugar so produced?

In view of treaty obligations now existing, we are inclined for the moment to accept a compromise on our right for the American market up to the limit of our ability to produce, but without surrendering or compromising the principle involved.

We are inclined, under existing conditions, to accept the quotas as set up in the Cummings bill (H. R. 8746), which gives us a limited increase of 12.91 percent, or 200,102 tons of increased marketing allotment, which increased quota is less than the average production for the past 2 years and less than our production for 1933, which was prior to sugar-quota legislation. Surely we should be permitted to at least approach par in our production and sales under this bill. A proportionate increase is given to our mainland cane area and limited increases to our insular areas.

I call your attention to chart No. 1, which is in your hands and which shows graphically sugar prices under Federal control.

The Jones-Costigan Act became operative on June 8, 1934, and continued until January 8, 1936, when the Supreme Court invalidated the processing tax and production payments, leaving in effect the quotas only. In other words, the tax and benefit payment portions of the act were effective for a period of 19 months, after which it continued with quotas alone for 20 months more, or until it was replaced by the Sugar Act of 1937.

During the 19 months when the quotas, tax, and benefit payments were operative, the average wholesale price of sugar (net cash, New York), including tax, was 4.73½ cents per pound. At this time a wholesale price of 4.75 cents per pound was considered necessary to give continental producers a fair and reasonable price for their beets and cane and at the same time not result in excessive prices for sugar to consumers.

The average retail price paid by consumers in the United States for sugar during this same period was 5.65 cents per pound.

Following the Supreme Court's decision, which invalidated the tax and benefit payment portions of the Jones-Costigan Act, we had a period of 20 months during which quotas only were in effect. At this time the wholesale price of refined sugar in New York was maintained at 4.70 cents per pound, and the average retail price paid by consumers averaged 5.61 cents per pound.

In comparing these two periods, we find:

1. That through the operation of the quota system, the price of sugar can be maintained at practically any desired level; and

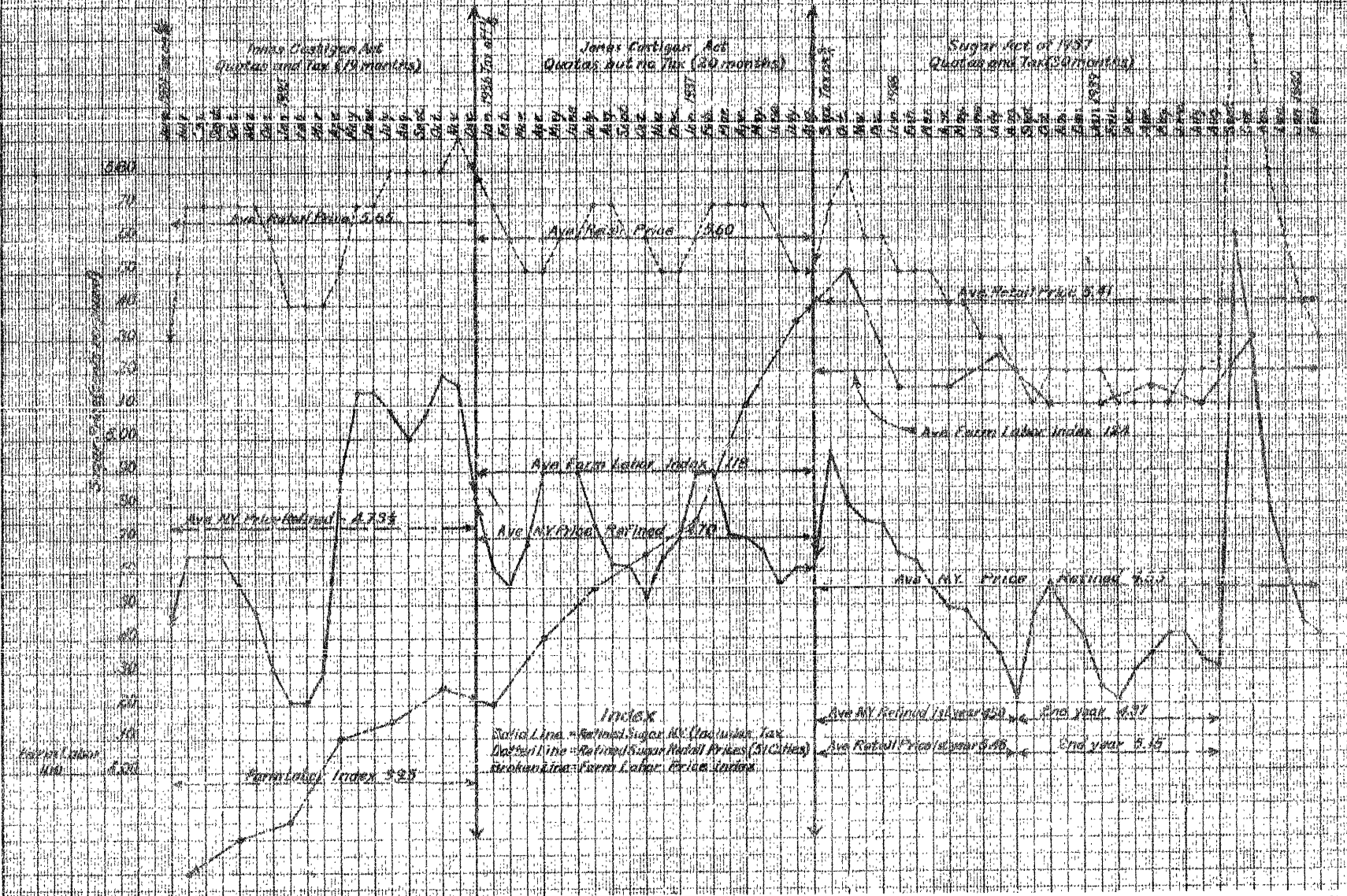
2. The addition of a processing tax under a quota system, where supplies are controlled and the tariff is reduced by an amount equal to the tax, does not increase the price of sugar to consumers.

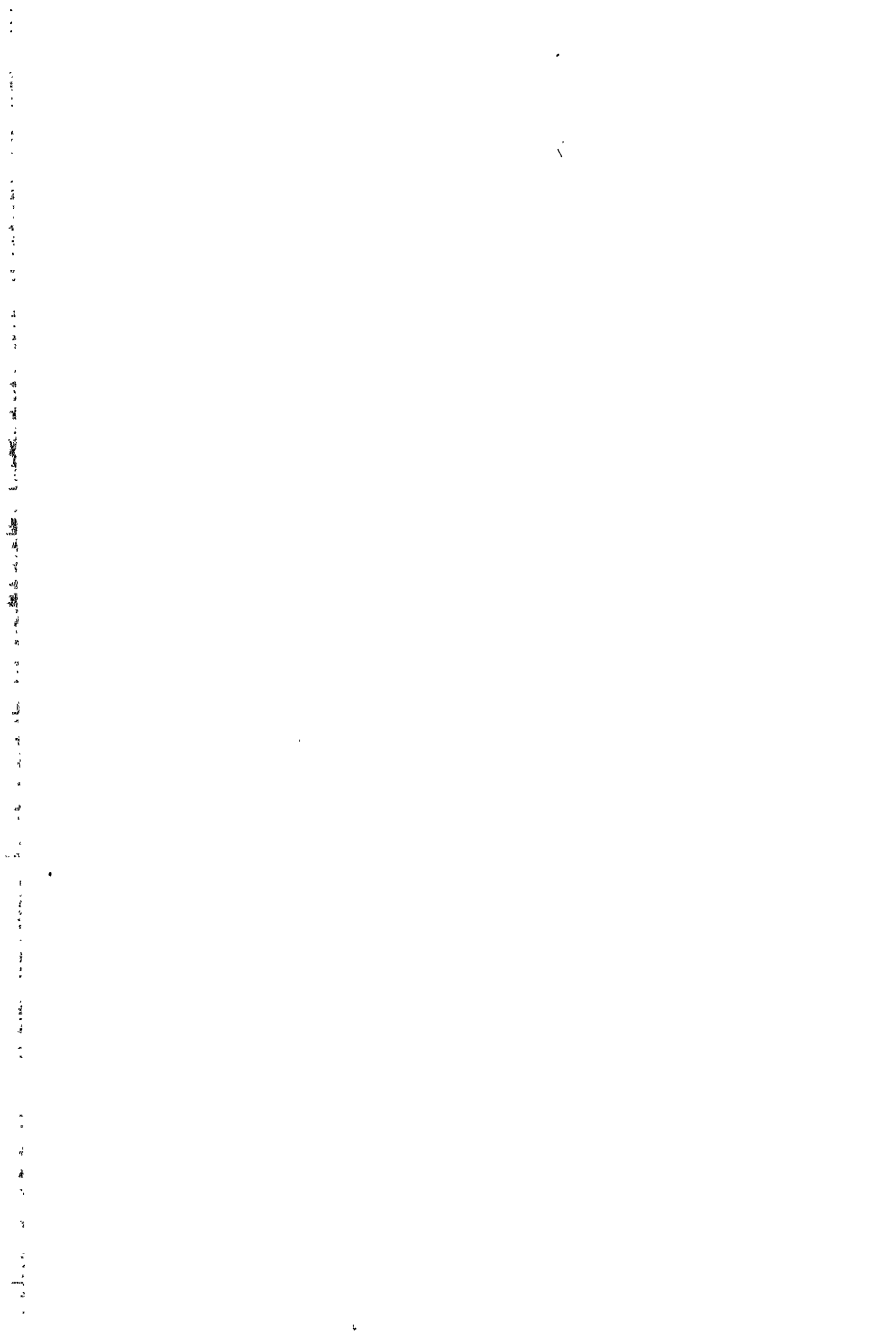
On September 1, 1937, the Sugar Act of 1937 became effective, and again referring to chart No. 1 you will note that with the exception of the emergency period of last September, sugar prices have shown a consistent decline. February 1940 shows the New York price at 4.40 cents per pound, and it has dropped since. This decline was very forcibly brought home to us growers, and this is plainly shown by reference to our settlement statements from the sugar companies. On our 1936 crop, we received our one-half share of the proceeds of our crop on a basis of sugar sold at \$4.44 per hundred pounds. This was for sugar all sold in the 11 months prior to the enactment of the Sugar Act of 1937. For 1937 our net settlement price for sugar had declined to \$3.85 per hundred pounds; and for our 1938 crop our net settlement price for sugar had declined to \$3.58 per hundred pounds, 92 cents per hundred pounds less than we received for our 1936 crop, a decline of 38½ cents more than the tax of 53½ cents, which clearly shows the tax was absorbed by the industry and not passed on to the consumer, and the industry took an





# Federal Sugar Control





additional loss. Some of us growers may have been optimistic enough to hope that with an interpretation of the Sugar Act in line with the intent of Congress there would be no price decline, but none of us were so pessimistic that we expected a decline in sugar prices of almost twice the amount of the tax. This part of the administration of the act has been disappointing to us.

Section 201 of H. R. 8746 and H. R. 8893 relieves the Secretary of Agriculture of the almost impossible task of determining "what is maintaining the industry and what is not." This section provides that retail sugar prices in excess of 80 percent of parity, as defined in these bills, shall be considered excessive to consumers, and retail sugar prices less than 76 percent of parity are below those prices necessary to maintain the domestic sugar-producing industry as a whole.

Since 1931, the retail price of sugar has been less than the average price during the pre-war period (1910-14), while the retail price of all foods has been consistently higher than the pre-war average price of all foods.

Had the provisions above referred to in section 201 been in effect from 1934 to 1939, the retail price of sugar during this period would have been just about on the level of the pre-war (1910-14) price and still considerably below the relative price of all foods.

Consider the retail price of sugar in the United States and other countries in relation to the earning power of wage earners, as shown by chart No. 2. In the United States it takes 5.6 minutes of labor to earn the equivalent of the value of 1 pound of sugar at retail prices, 8.1 minutes in Canada, 9.7 minutes in Great Britain, 14 minutes in Australia, 27.8 minutes in France, 38 minutes in Germany, and an hour and 55 minutes in Italy. This certainly demonstrates the protection afforded the wage-earner consumers.

When efforts are being made to restore prices to parity on practically every agricultural commodity, we feel it is being more than fair to consumers when we ask for a retail price of sugar not in excess of 80 percent of the parity price.

Charts 3 and 4 show the relative prices of sugar with pork products, cornmeal, milk, and flour. These charts show that the index price of sugar has been considerably less than 100 under sugar quota legislation, while the other foods mentioned have an average index figure approximately 50 percent greater. This clearly indicates to us that sugar prices have been too low and we feel that in view of the Government's efforts to raise the price of other agricultural products, sugar is entitled to like consideration.

Chart No. 5 shows the actual average retail price of sugar in the United States compared to the average retail price of all foods. The heavy line represents the range of prices provided for by the provisions of section 201 of H. R. 8746 and H. R. 8893. Had the provisions of this section been operative since 1910, the average retail price of sugar would have been under the index of the average retail price of all foods, as compiled by the United States Department of Labor, during the entire period; also, it would have been lower than the actual retail price of sugar from 1910 to 1924 and only slightly higher from that period to date, but still much lower than the price of other foods.

All of these charts show a very abnormally high price for sugar in 1920. This occurred at a time when little domestic sugar was available for the market and clearly indicates the possibilities of what might happen to the American consumer of sugar when foreign interests have control of our market.

Many more arguments could be advanced in support of our position, but we do not wish to burden you and take time to argue matters which must already be clear to your honorable committee.

We feel the reduction of the amount of direct-consumption sugar which may come in from Cuba, provided for in section 207, is justified by the fact that this sugar is refined in Cuba at wage rates far below those in the United States. Replacing this quantity of sugar by sugar grown and refined in continental United States means increased employment in the United States to the extent of about 30,000,000 man-hours annually.

I have endeavored to confine my remarks mainly to the two items of the Sugar Act of 1937, the practical operation of which have proven to be faulty, especially as viewed from the standpoint of farmers. We believe that both of these faults can be partially remedied by the adoption of H. R. 8746; and therefore, we recommend this legislation in the hope and belief that the American farmer is now entitled to a larger share of the American market at fair and reasonable prices.

I thank the committee for the opportunity of presenting our views and assure you that we will greatly appreciate your favorable consideration of them.

The CHAIRMAN. We desire to thank you, Mr. Smith.

Mr. SMITH. I will file this for the record.

(The papers referred to follow:)

## RETAIL SUGAR PRICES IN VARIOUS COUNTRIES OF THE WORLD

It is not so much the price of a commodity which determines whether or not it is expensive, but the price in relation to the earning power of workers determines whether or not the commodity is expensive. The following table shows the minutes of labor required by workers to earn an amount of money equivalent to the retail price of 1 pound of sugar. The average between the hourly wage rates of highly paid skilled workers and the hourly rate of low paid unskilled workers was taken as the basis for average earnings of workers. Wage data

## MINUTES OF LABOR REQUIRED TO EARN EQUIVALENT OF ONE POUND SUGAR AT RETAIL

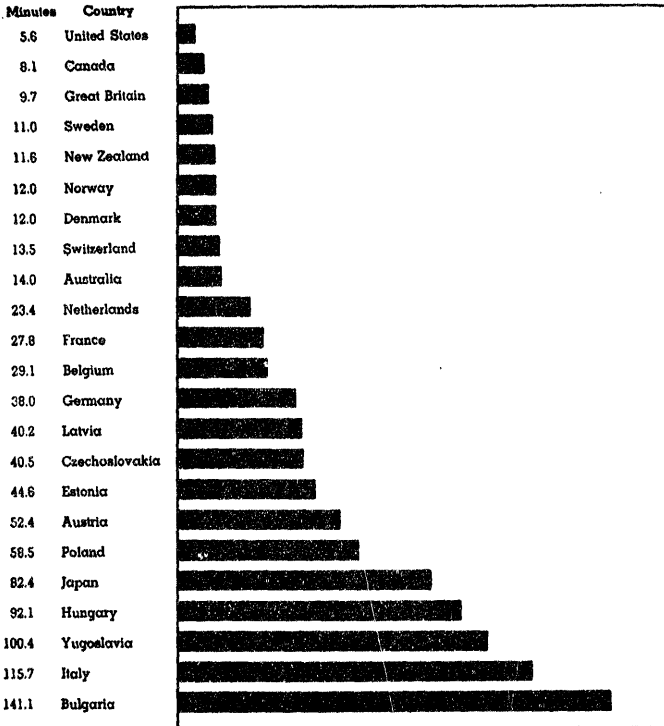


CHART NO. 2

from *Annuaire des Statistiques du Travail* (1938) Bureau International du Travail.

On this basis the price of sugar to the consumer is lower in the United States than it is in any other country.

## RETAIL PRICE OF FLOUR, MILK, AND SUGAR

We favor a fair and reasonable price for flour and milk but we submit that sugar is entitled to be maintained on a relative basis.

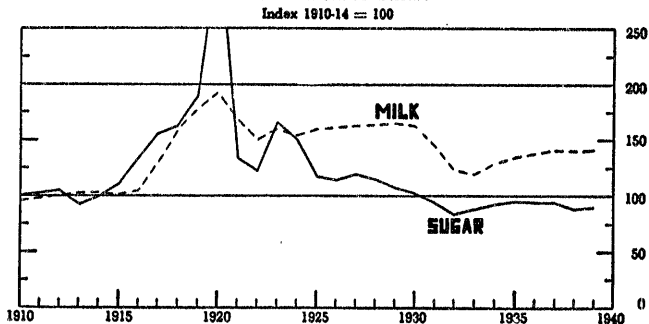
Between 1933 and 1939, expenditures by the Federal Government to stabilize or increase farm income from wheat exceeded half a billion dollars. For 1939

alone price maintenance schemes involved crop loans equivalent to an average farm price of 6 cents per bushel, price adjustments of 11 cents per bushel (\$64,000,000) and surplus removal expenditures of over \$36,000,000. In addition to the above, participating wheat producers will receive 17 cents per bushel in the form of soil-conservation payments and will be eligible to crop insurance whereby they will be guaranteed production equal to at least 75 percent of normal.

With respect to fluid milk, assistance has taken the form of marketing agreements wherein the influence of the Federal Government is lent to the support of higher price structures. As an example, the recent marketing agreement established in conjunction with the State Government for the New York metropolitan area raised the farm price of fluid milk from \$1.60 to \$2 per hundred-weight, between June 15 and July 1. A further increase was ordered effective October 1.

The following charts show the comparative price of sugar, milk, and flour. Both milk and flour are relatively higher in retail price than sugar.

**AVERAGE RETAIL PRICE OF SUGAR IN UNITED STATES COMPARED TO AVERAGE RETAIL PRICE OF MILK IN UNITED STATES**



**AVERAGE RETAIL PRICE OF SUGAR IN UNITED STATES COMPARED TO AVERAGE RETAIL PRICE OF FLOUR IN UNITED STATES**

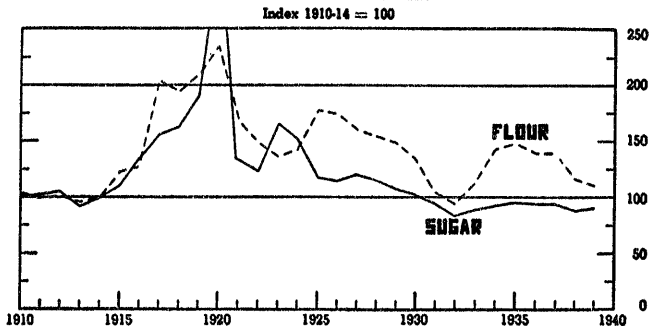


CHART No. 3

## RETAIL PRICE OF SUGAR AND CORN-HOG PRODUCTS

We favor a fair and reasonable price for corn meal, lard, ham, pork chops, and other corn-hog products and we submit that sugar is entitled to be maintained on a relative price basis.

Since 1933 attempts to improve the lot of farmers in the Corn Belt have included corn loans, direct Government payments on corn and hogs and surplus removal expenditures exceeding a billion dollars. In addition, soil conservation payments of 9 cents per bushel, not included in the above, current programs embody price-adjustment payments of 6 cents per bushel, the prospect of a crop loan, and surplus-removal expenditures.

The following chart shows the relative price of corn-hog products and sugar. (Note: Normally 18 percent of the weight of a hog goes into ham, 12 percent into bacon, 18 percent into lard, and 17 percent into pork chops. The retail prices of these four items totaling 65 percent of the weight of a hog, were taken in proper proportion to determine the relative retail price of pork products.)

This chart shows that today the retail price of corn-hog products is about 50 percent more than the prices were during the pre-war period of 1909-14 while the retail price of sugar is about 10 percent less than it was during the same pre-war period.

AVERAGE RETAIL PRICE OF SUGAR IN UNITED STATES COMPARED TO AVERAGE RETAIL PRICE OF CORN-HOG PRODUCTS IN UNITED STATES

Index 1918-14 = 100

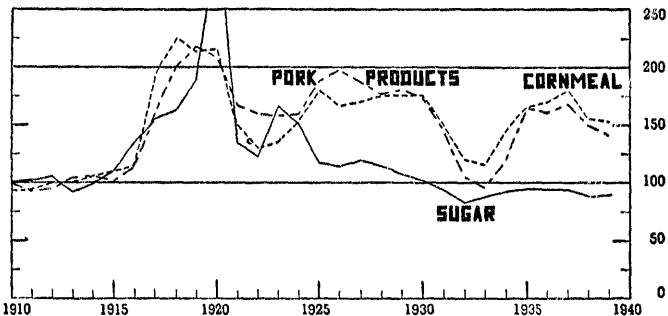


CHART No. 4

SUGAR PRICES UNDER THE CUMMINGS BILL

Section 201 of the Cummings bill (H. R. 8746, 76th Cong., 3d Sess.) provides that if the average retail price of sugar exceeds 80 percent of the parity price of sugar, then such price shall be deemed excessive to consumers and it further provides that if the average retail price of sugar is less than 76 percent of the parity price of sugar then such price shall be less than the price required to maintain the domestic sugar-producing industry as a whole.

In the following chart the actual average retail price of sugar in the United States is shown compared to the average retail price of all foods. The heavy black line represents the range of prices between 76 and 80 percent of the parity price of sugar as defined in section 201 of H. R. 8746.

It should be noted that the average retail price of all foods has not been below the 1910-14 average since 1915 but the average retail price of sugar has been below the 1910-14 average price every year since 1931.

It should also be noted that the price range provided for by H. R. 8746 would just bring the retail price of sugar up to the 1910-14 average price and even in this price range it would still be about 20 percent below the retail price of all foods.

RETAIL PRICE OF SUGAR AND ALL FOODS COMPARED TO RETAIL PRICE RANGE OF SUGAR  
PROVIDED FOR IN SECTION 201 OF H. R. 8746

Index 1910-14 = 100

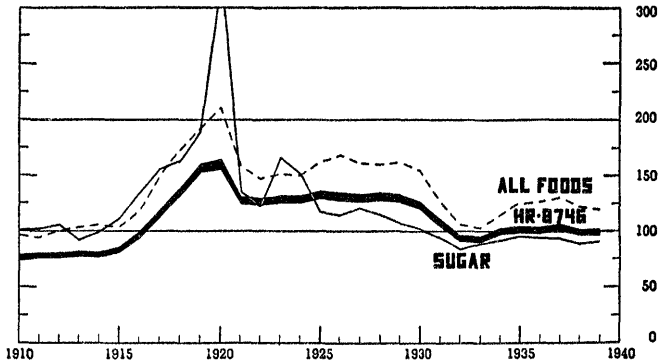


CHART No. 5

Some average retail prices

[In dollars]

	10-year average 1890-99	10-year average 1903-09	10-year average 1910-19	10-year average 1920-29	10-year average 1930-39	6 months' average January- June 1940
Round steak, per pound.....	0.1245	0.1468	0.2530	0.3770	0.3416	0.3452
Rib roast, per pound.....	( <sup>1</sup> )	( <sup>1</sup> )	.2216	.3286	.2914	.2825
Pork chops, per pound.....	.1103	.1448	.2555	.3583	.3009	.2563
Bacon, per pound.....	.1305	.1849	.3340	.4460	.3479	.2690
Ham, per pound.....	.1539	.1895	.3222	.5328	.4448	.4270
Hens, per pound.....	.1332	.1617	.2541	.3891	.3016	.2983
Milk, per quart.....	.0677	.0735	.1019	.1423	.1103	.1245
Butter, per pound.....	.2560	.2972	.4309	.5552	.3529	.3568
Lard, per pound.....	.0947	.1196	.2067	.2009	.1360	.0963
Eggs, per dozen.....	.2068	.2659	.4093	.5233	.3526	.2967
Flour, per pound.....	.0265	.0295	.0467	.0560	.0127	.0440
Cornmeal, per pound.....	.0190	.0236	.0405	.0497	.0461	.0438
Potatoes, per pound.....	.0151	.0175	.0251	.0362	.0247	.0274
Sugar, per pound.....	.0582	.0585	.0747	.0879	.0551	.0529
Pork products, <sup>2</sup> per pound.....	.1218	.1576	.2749	.3794	.3038	.2613

See footnotes at end of table.



## Some average retail prices—Continued

[Index using 10-year period 1890-99, as 100]

	10-year average 1890-99	10-year average 1900-09	10-year average 1910-19	10-year average 1920-29	10-year average 1930-39	6 months' average January- June 1940
Round steak.....	100	117	203	303	274	277
Pork chops.....	100	131	232	325	273	232
Bacon.....	100	142	256	342	307	206
Ham.....	100	123	270	346	289	277
Hens.....	100	121	191	292	226	224
Milk.....	100	109	151	210	176	184
Butter.....	100	116	168	216	137	139
Lard.....	100	126	218	212	144	101
Eggs.....	100	129	198	253	171	144
Flour.....	100	111	176	214	161	169
Cornmeal.....	100	124	213	262	243	231
Potatoes.....	100	116	166	240	164	181
Sugar.....	100	101	128	151	95	91
Average.....	100	120	193	259	202	189
Pork products <sup>1</sup> .....	100	129	226	311	249	215

<sup>1</sup> Not available.<sup>2</sup> Weighted average price per pound based on 18 percent of weight of hog going into ham, 12 percent into bacon, 18 percent into lard, and 17 percent into pork chops.

Sources of data: 1890 to 1922—Table 5, p. 8, Bulletin of the U. S. Bureau of Labor Statistics No. 445, Retail Prices 1890 to 1928; 1923 to 1936—Table 7, p. 77, Bureau of Labor Statistics, U. S. Department of Labor Bulletin No. 635, Retail Prices of Food, 1923-36; 1937 to June 1940—Monthly and annual issues of Retail Prices of Food issued by Bureau of Labor Statistics, U. S. Department of Labor.

## Some average sugar prices

[NOTE.—The lowest price for any type of sugar in any of the following periods is indicated by an asterisk (\*) and the second lowest by a dagger (†)]

[In dollars]

	10 years, 1890-99 <sup>1</sup>	10 years, 1900-09 <sup>2</sup>	5 years, 1910-14 <sup>3</sup>	3 years, 1923-25 <sup>4</sup>	3 years, 1931-33 <sup>5</sup>	40 months, May 1934 to August 1937 <sup>6</sup>	35 months, September 1937 to July 1940 <sup>7</sup>	1 month, August 1940 <sup>8</sup>
Cuban 96° raws at New York.....	2.894	2.475	2.727	3.093	*1.161	2.396	2.000	†1.744
Duty on Cuban 96° raws.....	.976	1.483	1.282	1.765	2.000	†.961	.959	*.960
Insular 96° raws at New York.....	3.870	3.958	3.989	5.758	3.161	3.357	†2.959	*2.644
Net wholesale refined at New York, excluding tax.....	4.730	4.848	4.864	7.056	5.245	4.448	†3.993	*3.728
Net wholesale refined at New York, including tax.....	4.730	4.848	4.864	7.056	*4.245	4.698	4.528	†4.263
Average United States retail price, refined.....	5.820	5.850	5.960	8.833	5.400	5.620	†5.385	*5.170

<sup>1</sup> The Gay Nineties period.<sup>2</sup> The turn of the century.<sup>3</sup> Pre-war base period selected by U. S. Department of Agriculture. On their parity theory present prices should be about 25 to 30 percent more than they were during this base period.<sup>4</sup> Period used by U. S. Department of Commerce as a normal period for figuring comparative prices of commodities.<sup>5</sup> Period during which depression prices existed in the domestic sugar industry and from which low prices the sugar industry was to be alleviated by quota legislation, according to statement of Secretary Wallace.<sup>6</sup> The period of the Jones-Costigan Act.<sup>7</sup> The period of the Sugat Act of 1937 to date.<sup>8</sup> The present.

Your attention is called to the fact that every price in the last column, the present, is accompanied by either an asterisk (\*), or a dagger (†) indicating the present low prices of sugar.

The CHAIRMAN. I would like to incorporate into the record a communication addressed to me by Senator McCarran of Nevada with reference to the pending sugar bill.

(The letter referred to is as follows:)

UNITED STATES SENATE,  
COMMITTEE ON APPROPRIATIONS,  
September 26, 1940.

Hon. PAT HARRISON,  
Chairman, Senate Finance Committee,  
United States Senate.

MY DEAR SENATOR: I understand that your honorable committee is about to take up for consideration the bill H. R. 9654, which passed the House on June 20, 1940. You will doubtlessly recall my keen interest in this legislation and my efforts to secure a greater consideration for Nevada in the production of sugar beets.

Nevertheless, and at the hazard of being repetitious, I wish to draw to your attention several pertinent facts which I deem quite essential, and which I trust your committee will have before it when the above-named bill is taken up.

I am respectfully urging that sufficient provision be made in the bill to enable Nevada to secure an allotment of 17,000 acres for the production of sugar beets. This is by no means all the acreage that could be so employed, but rather it represents a fair estimate of the allotment to which Nevada is entitled.

Perhaps I should state by way of explanation that some years ago, Nevada engaged in a prosperous business of beet-sugar culture to such an extent that a processing factory was established at Fallon, Nev. The cultivation of sugar beets at that time was truly a profitable pursuit and had much promise of an increased production. However, sugar beets in Nevada, as in other sections, were beset with a "wilt," caused by the white fly sucking juice from the foliage which greatly impaired successful cultivation of the plant. In fact, so much so that the factory at Fallon could not be maintained and was abandoned.

And now bringing the matter up to date, in 1938 the Spreckels Sugar Co. cooperated with the farmers in Pershing County, Nev., in planting several experimental patches of sugar beets. A newly developed alkali-tolerant plant was used, being particularly adaptable to that climate. Again in 1939, and with increased acreage, more extensive tests on approximately 1,800 acres were conducted. These tests have conclusively shown that sugar beets of excellent quality can be successfully and profitably grown in Nevada.

In addition to the foregoing, there is another very important factor to be considered. Nevada has for many years been faced with a forage problem caused by alfalfa "blight," at times becoming quite acute. It has been discovered in those areas fortunate enough to secure sugar-beet acreage that alfalfa "blight" was eliminated. By using sugar-beet acreage as a rotation crop for alfalfa, the soil was replenished with necessary chemicals and "blight" did not occur. I know you will appreciate what this means to a livestock State, somewhat reliant on alfalfa as a forage crop. In my judgment, by rotating these two crops, not only would the livestock industry be greatly benefited, but the farmer would be guaranteed a cash-income crop.

I am therefore respectfully urging that Nevada be allotted a total of 17,000 acres to be used in the production of sugar beets. I know your committee will give this matter due consideration, and I hope favorable.

Thank you for your courtesy.

Respectfully,

PAT MCCARRAN.

The CHAIRMAN. There will be incorporated in the record at this point a statement submitted by Mr. Vincent J. Murphy, secretary-treasurer of the New Jersey State Federation of Labor; also a statement submitted by Mr. G. H. Opdyke, legislative representative, Lodge No. 829, of the Brotherhood of Railroad Trainmen.

(The statements referred to are as follows:)

STATEMENT OF MR. VINCENT J. MURPHY, SECRETARY-TREASURER OF THE NEW JERSEY STATE FEDERATION OF LABOR

As a resident of New Jersey, as a civil servant of the city of Newark, and as secretary-treasurer of the New Jersey State Federation of Labor, I am in hearty

favor of protecting New Jersey's workmen connected with the receipt, refining, and distribution of cane sugar. The men who work on the docks of New Jersey's refinery are affiliated with the International Longshoremen's Association, and international unit of the American Federation of Labor. The teamsters who operate the trucks which distribute the refined sugar are affiliated with Local 617 of the International Teamsters, Chauffeurs, Drivers and Helpers Union, American Federation of Labor. In other refining States, such as New York, Pennsylvania, and California, there are thousands of men and women affiliated with the American Federation of Labor who work directly in the refineries.

The American Federation of Labor has taken a firm stand against the importations of tropical refined sugar made by cheap plantation labor. This stand was taken in 1937 and again at the annual convention in Cincinnati in 1939. I believe that the 1939 resolution of the American Federation of Labor should be incorporated into the record of this meeting. We must protect the interests of well-paid New Jersey workmen, not only in sugar refining but in every industry in the State.

VINCENT J. MURPHY,  
*Secretary-Treasurer, New Jersey State Federation of Labor.*

RESOLUTION No. 92.—REQUESTING THAT AMERICAN FEDERATION OF LABOR RECOMMEND ADEQUATE PROTECTION FOR SUGAR REFINERY WORKERS IN SUGAR LEGISLATION

Whereas the refining of raw cane sugar in continental United States gives employment to thousands of workers affiliated with the American Federation of Labor; and

Whereas the jobs and pay rolls of the sugar refinery workers have been reduced since 1925 by the flood of refined sugar which has been imported into this country from Cuba, Hawaii, Puerto Rico, the Philippines, and other tropical islands; and

Whereas a further loss in jobs and pay rolls will occur after 1940 unless these workers receive an adequate protection in the Sugar Act to be written in that year: Therefore be it

*Resolved*, That this convention, the fifty-ninth of the American Federation of Labor, go on record as recommending that an adequate protection (through tariffs, quotas, or otherwise) be provided for the sugar refinery workers in any sugar legislation which may be developed by Congress in 1940 and under no circumstances should there be any further expansion in the importation of refined sugar made in the tropical islands for our market; and be it further

*Resolved*, That the American Federation of Labor does endorse and advocate protective legislation for these workers.

AMERICAN FEDERATION OF LABOR CONVENTION, *Cincinnati, Ohio, October 10, 1939.*

STATEMENT ON THE SUGAR BILL, H. R. 9654, BY THE BROTHERHOOD OF RAILROAD TRAINMEN

By G. H. CPDYKE, Lodge No. 829

The sugar bill, H. R. 9654, was passed by the House of Representatives on June 20 this year after the adoption of the McCormack amendment which restored the quotas on refined sugar from the American tropical islands, Hawaii and Puerto Rico. The Brotherhood of Railroad Trainmen, representing the most important branch of organized labor in the railroads of this country, vigorously opposes any modification of H. R. 9654 which would increase the refining of sugar in the Tropics.

An expansion of tropical sugar refining would hurt the members of the brotherhood because it would deprive them of work. The detailed reasons for this are given in the attached resolution, opposing tropical refining, which was passed at the second quadrennial convention of the Brotherhood of Railroad Trainmen held in Cleveland, Ohio, on June 8, 1939. We request that this resolution be considered a part of this statement.

It is obvious that under the quota system, if there is more refining of cane sugar done in the tropical islands, there will be less refining in the refining States—Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, Texas, and California. If there is less refining in mainland United States, there will be less coal, oil, cooperage, bags, containers, bone black, and supplies moving into the refineries via rail. The inbound railroad freight of the mainland

refiners has declined seriously since 1925, the year in which refining began to be developed in the Tropics for the first time.

If less cane-sugar refining is done in the United States, there will be less refined sugar and molasses shipped out of the refineries by rail. Refined sugar is a high-class product with a relatively high freight rate. It has been estimated that the total value of the railroad bill of the continental cane-sugar refiners is nearly \$17,000,000 a year. Of course, tropical refined sugar, after it arrives in continental United States, is also moved by rail. But the number of cars so moved is not as great as the total cars displaced by the reduction in mainland refining. The reason for this is that tropical refined sugar is moved in large quantities by truck and barge. Tropical refined sugar does not utilize railroad freight as does home refined sugar.

But there is another reason why our membership must oppose any expansion of tropical refining. Such an expansion would further decrease the amount of employment of well-paid American refinery workers who, with a few exceptions, are 100 percent unionized. According to Government reports, collective bargaining is unknown in Hawaii, and unionization in the American sense is unknown in Puerto Rico. Union labor should not be sacrificed to nonunion labor in sugar or any other commodity.

All members of the brotherhood are against an expansion of tropical refining and many, especially those working in the seaboard refining States, are against any expansion in the quota for the beet-sugar industry. If the beet-sugar industry is expanded by an enlargement of its quota, it will mean a contraction in the imports and refining of raw cane sugar. Such a contraction, of course, would mean that there would be less rail freight created in the seaboard States. Less rail freight would come into the refineries and less freight would go out of the refineries. We trainmen in the seaboard States naturally feel, therefore, that an expansion of the beet-sugar quota, as far as transportation is concerned, would merely transfer jobs from one part of the country to another. In such a transfer, we in the seaboard States would lose work.

For this reason we must oppose an expansion of the beet-sugar quota.

Respectfully submitted,

G. H. OPDYKE,

*Lodge No. 829, Legislative Representative.*

On June 8, 1939, the following letter and resolution were placed before the floor of the Second Quadrennial Convention of the Brotherhood of Railroad Trainmen held at Cleveland, Ohio. The resolution was adopted on Monday, June 12.

#### RESOLUTIONS COMMITTEE,

##### *Brotherhood of Railroad Trainmen.*

DEAR BROTHERS: The members of your local in New York City, No. 829 respectfully submit the following memorandum regarding the damage done to the members of the Brotherhood of Railroad Trainmen in New York and throughout the Nation by the continued importation of refined cane sugar manufactured in the tropical islands—Cuba, Hawaii, Puerto Rico, and the Philippines.

The refining of raw cane sugar is a 200-year-old American industry. Around 1925, however, refining started to be done on the raw sugar plantations in Cuba, Puerto Rico, Hawaii, and the Philippines. By 1934 a flood of over 700,000 tons of such tropical refined sugar was entering this country each year. This importation of tropical refined sugar had a serious adverse effect upon working men in the United States, not only in the refineries but in allied industries including railroading.

In 1934 Congress put a stop to any further increase in the importations of tropical refined sugar by providing in the Sugar Act of 1934 that there be a quota placed upon these importations of about 600,000 tons a year. When the Sugar Act of 1934 was rewritten in 1937 Congress again affirmed its decision that American workmen would be protected and continued the refined sugar quota limitations through 1940. In 1940 the Sugar Act of 1937 will be reconsidered by Congress and probably will be extended with amendments.

In 1940 the Railroad Brotherhood should request Congress that the present quota limitations on tropical refined sugar be maintained, and that, if possible, there be some reduction in the 600,000 tons now permitted under the quotas. The reason that the Railroad Brotherhood should take this stand is outlined in detail below. In short, the importation of refined sugar manufactured in the

tropics deprives their members of their jobs and shrinks their pay rolls. This follows because, first, as tropical refining increases, the amount of incoming freight into the refineries is reduced, and secondly, the amount of outgoing freight, mostly refined sugar decreases.

The home refiners of raw cane sugar are located in Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, Texas, and California. Each year they handle approximately 100,000 carloads of railroad freight of which approximately 10 to 15 percent is incoming freight and 85 to 90 percent is outgoing freight. The incoming freight is largely made up of the following items: Coal, oil, cooperage, bags, fiberboard containers, boneblack, and machinery parts. The outbound freight is made up almost entirely of refined sugar but there is also included liquid sugars, refiners' sirup, and blackstrap molasses. The refined sugar is a high-class product with a relatively high freight rate. It has been estimated that the total value of the railroad bill of the refiners is around \$10,000,000 per year.

The in-bound freight of around 10,000 to 15,000 cars per year has been decreased substantially in the last 10 or 15 years. The major reason for this is that the refining industry has seen its volume of business reduced by the importation of about 600,000 tons of sugar refined in the Tropics. With this tropical competition several home refineries have closed and most of them have worked on part time. The effect of this is that there is less fuel purchased, less cooperage used, less bags purchased, and hence the roads lose freight.

The greatest loss in carloads and jobs has been in the out-bound freight. With the flood of tropical refined sugar there has been a serious decline in the amount of refined sugar shipped out by the home refineries. This displacement of home refined sugar by tropical refined sugar has meant a direct loss in employment to the railroads because tropical refined sugar does not utilize railroad freight as does home refined sugar.

There are three reasons for this:

1. The importation of offshore refined sugar has given assistance to the barge companies to displace rail freight. For example, when a carload of refined sugar leaves Habana, Cuba, for New Orleans, it is very likely that the sugar will be transported on a barge for shipment up the Mississippi River.

2. Offshore refined sugar is shipped to the United States by ocean freight and then is retransported to inland centers by motortruck. For example, a boatload of refined sugar from Ponce, P. R., will be unloaded at the terminals in the New York Harbor. From there it will go into New England and New York State by motortruck. A trucker will come down to New York from Hartford with a load of textiles, for example, and instead of returning empty will return with a truckload of sugar. Tropical refined sugar now enters about 18 ports in the East and South in this fashion and is picked up for inland shipment: Miami, Fort Myers, Pensacola, and Jacksonville, Fla.; Corpus Christi, Galveston, and Houston, Tex.; Mobile, Ala.; Charleston, S. C.; Wilmington, N. C.; Richmond, Norfolk, and Newport News, Va.; Atlantic City, N. J.; Canton, Va.; Wilmington, Del.; Newark, N. J.; and New London, Conn.

3. When refined sugar is brought to the United States by ocean freight and is dumped in a certain city, it often displaces rail freight which would go to that particular city. For example, refined sugar from the Philippines comes directly into Portland, Seattle, and Tacoma. This deprives the railroads of freight that normally would go from San Francisco north to these ports.

In short, it can be seen that the importation of offshore tropical refined sugar operates to increase the volume of business which is now done by the competitors of the railroads, namely, autotruck, barge, and to a lesser extent, ocean freight.

If Congress in 1940 should remove the present quota limits on refined sugar made in the Tropics (as is the desire of the tropical sugar interest) then there will be a further loss of railroad freight to the industry and a loss in railroad jobs. Our local in New York is particularly interested in this problem and it would like to receive all the support that it can from the brotherhood in the form of a resolution going on record against the importation of sugar made in the Tropics by low-paid and unorganized workers.

And finally, it should be pointed out that the workers in the continental cane-sugar refining industry are 100 percent organized in the North and about 85 percent organized in the Nation. Both of the national labor organizations are involved. Wages are the highest paid in any branch of the American sugar system. The thousands of workers in that industry cannot compete against tropical competition. We believe that these facts are added reasons for the Brotherhood of Railroad Trainmen to support us in this issue.

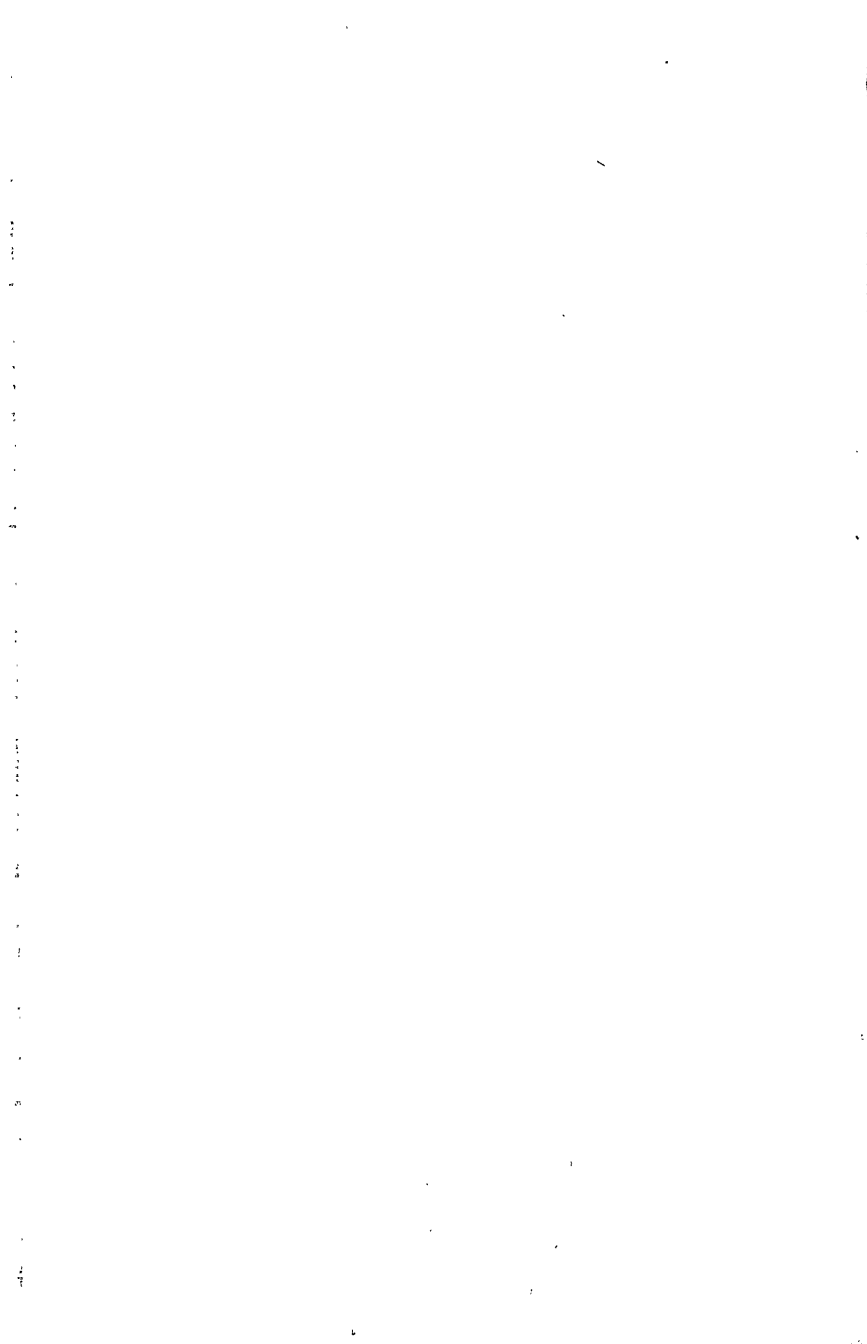
*Be it resolved*, That the President instruct the national legislative representative to take the necessary action to protect our membership against the importation of foreign sugar.

Respectfully submitted.

G. H. OPDYKE (829).  
J. J. MURRAY (250).  
G. J. McLUCKEY (472).  
M. J. KISSANE (37).  
J. BROPHY (827).

The CHAIRMAN. That closes the hearing, unless there is someone present who wants to be heard, until 10 o'clock in the morning, when there will appear a very few witnesses who have requested to be heard. We will recess until 10 o'clock tomorrow morning in this room.

(Whereupon, at the hour of 2:45 p. m., the committee adjourned until 10 a. m., the following day, Thursday, October 3, 1940.)



## EXTENSION OF SUGAR ACT OF 1937

THURSDAY, OCTOBER 3, 1940

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

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

The CHAIRMAN. The committee will be in order.

Mr. W. F. Giles is the first witness this morning.

Senator ELLENDER. Mr. Chairman, before proceeding, I would like to offer a written brief in behalf of Mr. Carl F. Dahlberg, a citizen of Louisiana, a cane grower and producer, who is unable to be here today, and asked that it be incorporated in the record.

The CHAIRMAN. It may be incorporated in the record.

(The brief of Mr. Dahlberg is as follows:)

STATEMENT PRESENTED AT HEARING BEFORE SENATE FINANCE COMMITTEE,  
WASHINGTON, D. C., OCTOBER 3, 1940

*To the Honorable Members of the Senate Finance Committee:*

My name is Carl F. Dahlberg. I am president of the South Coast Corporation, New Orleans, La., and am submitting this statement in opposition to the measure now before this honorable committee, namely, resolution to extend the 1937 Sugar Act for another year so as to prevent its expiration at December 31 next, as the act itself provides.

My company is engaged in the growing of sugarcane in Louisiana, the processing of cane into raw sugar, and the refining of raw sugar into the granulated product. I am, therefore, I feel, qualified to discuss the effect of the present law on all branches of the industry in Louisiana.

I am sure all members of this committee are familiar with the present Sugar Act and with the administration of it, but in order to bring it home in a concrete way I wish to point out just how its operation is affecting my company, which is indicative of how it has affected others in Louisiana.

My company has 19,493 acres in cultivation for the sugarcane, or which, under normal, unrestricted conditions, we would carry from 66% to 75 percent in cane, amounting to approximately 13,000 acres at the lower percentage. The variation in percentage carried depends in a large measure on the severity of the winter, as it affects stubble. A mild winter would allow a greater percentage of stubble cane to live, and a severe winter would cause a greater percentage of it to die; 66% percent of the cultivable land, however, is generally the minimum that we would have in cane after even a severe winter. Our whole organization is geared up to the level of a minimum of 13,000 acres in cane. Anything less than that results in an inefficient operation and an excessive cost.

In the fall of 1938 we proceeded with our planting as usual, no restrictions having been announced. When we had almost finished planting the Department of Agriculture suddenly announced a formula under which our proportionate share would be 9,983 acres, so, as we then had 12,000 acres in cane, we were obliged to destroy over 2,000 acres, which we did. These 2,000 acres would have produced 8,000,000 pounds of sugar—sufficient to supply a town of 75,000 people with their sugar requirements for 1 year.

Shortly after the present European war was declared last September, the President suspended quotas on sugar; and on orders of the Sugar Section, the



county agents and the press gave wide publicity to the news that in those circumstances no quotas or benefit payments were in effect or contemplated for 1940. This information came to us and other producers at the time of our greatest planting activity, and we fairly construed same as an invitation (it was certainly an encouragement) to plant in cane as much acreage as might be consistent with good farming practice. We and other producers accepted this invitation and planted accordingly, thereby assisting the President in obtaining his objective of increasing the domestic supply of sugar and depressing the price.

A few days before the end of the year, and long after the crop for 1940 had been planted, the Department suddenly announced that quotas would be reinstated, and gave a formula under which my company would again be required to destroy cane. This order, however, has not so far been generally complied with by the growers, who feel that in some way, or somehow, the destruction of this very essential food crop this year will not be finally required, especially in face of the fact that millions of people in the world will likely go hungry this coming winter. At the moment, though, the regulations under the quota system call for this destruction, which, in our case, means again plowing up over 2,000 acres of cane, and this after having already lost more than that amount of cane last winter and spring due to inclement weather.

A Louisiana cane plantation differs from a wheat farm, a cotton farm, or a corn farm, on account of the fact that in this country cane is a 3- or 4-year crop, so the number of acres a plantation has in cane cannot be suddenly increased or decreased except at great cost and great sacrifice. The planting must be planned far in advance to provide for proper preparation of the soil, proper drainage, proper equipment, and proper help, and once the program is decided on it cannot be readily changed. To be working under a law according to which only a part of our lands can be allowed to produce, and in addition be subject to violent rules and regulations announced too late for economical compliance, is practically tantamount to ruin for the cane producer. Taxes must be paid on all the land whether it is allowed to produce or not; drainage (one of the most expensive and important items in Louisiana cane cultivation) must be kept up on all the land, as a few acres cannot be segregated for drainage purposes; general overhead, such as interest, insurance, supervision, depreciation, and obsolescence, cannot be contracted or expanded at will from year to year, and the working personnel on a cane plantation cannot be hired or fired offhand, as is the case with many industries. My company employs upward of 4,000 persons, many of whom were born on our plantations. They know no other work than sugar-plantation work, nor is there any other work for them to do in south Louisiana. These workers are our people, and we must take care of them. We cannot discharge them just because for a year or two our production quota is cut, and then rehire them the next year if our quota has been increased.

From an agricultural standpoint, therefore, I wish to register my objection to an extension of the present law unless it is so amended that Louisiana can have a considerably increased and fairly constant quota and be allowed to harvest and make into sugar all of the cane which is now growing and which was planted in good faith and according to the Government's implied invitation when there were no restrictions or quotas in effect.

Now, as to raw-sugar production as it is affected by the 1937 act:

The law provides for a yearly sales quota for each area. This has been interpreted by the Department of Agriculture as meaning that the Department must allot to each processor the amount of sugar he can sell from January 1 to December 31 of each year.

In the spring of 1939 the Department, after hearings held in Mobile, Ala., prescribed for each processor the amount of sugar he could sell during 1939. In the case of my company this allotment for 1939 was not sufficient to allow us to sell even all the sugar we had carried over from 1938, and it did not, furthermore, allow us to sell any part of the sugar from the crop then in the ground which would be harvested and milled in the fall of 1939. In other words, under the law as written and administered, my company had to carry over into 1940 some of the sugar produced in 1938 and all the sugar produced in 1939. This year almost the same condition exists. While we do have the right to sell sugar we carried over from 1938 and 1939 we cannot this year sell any part of the sugar we will produce this coming fall from the cane now growing. That sugar will be produced in October, November, and December, but cannot be sold until January of next year.

The burden, both from a financial and a warehousing standpoint, of complying with this regulation is self-evident. There are many hundreds of cane growers that supply our mills with cane for which we pay as the cane is delivered, or prac-

tically so, and for us not to be allowed to currently realize money from the sale of sugar from that cane produced during the year, either by ourselves or others that sell their cane to us, creates an unnecessary hardship which I am sure Congress did not intend when passing the 1937 sugar law.

It requires 16 months to produce a crop of sugarcane. After the cane is produced and made into sugar it is difficult to see any good reason why the processor should not be able to begin selling it immediately and then be allowed until the next crop is ready to complete his sale. As it is now, some processors, such as in our case, cannot begin selling until next year, and others who do have the right to sell this year rush their crop on the market for fear that next year another formula for establishing the quota may leave them out or otherwise hamper their freedom of operation.

From a processor standpoint, therefore, I wish to register my objection to the extension of the present law unless it is so amended that all sugar which is lawfully produced can be sold as soon as ready for the market and during a 12-month period thereafter, commencing with the coming crop.

Now, finally, as to the refining of sugar as affected by the 1937 act: The act prescribes that effective March 1 of this year restriction on white sugar imports from Puerto Rico and Hawaii be lifted, so as the matter now stands those countries can ship their entire quota into the continental United States in the shape of refined sugar. This is decidedly to the detriment of the well-established continental sugar refining industry, in which hundreds of millions of dollars are invested and which employs thousands of well-paid workers who live in America and help support our American institutions.

From a refinery standpoint, therefore, I wish to register my objection to an extension of the present law unless it is so amended that importation of refined sugar will again be on a restricted basis from all importing areas.

Ever since the Government assumed control of the sugar industry much has been said about its inefficiency in Louisiana. The Louisiana sugar industry as presently constituted is not inefficient if allowed to operate at capacity, which, by the way, the beet area is allowed to do. Louisiana can successfully compete with beet sugar made in this country and cane sugar made in Hawaii and Puerto Rico if allowed to think and plan for itself, and to know that once its operating program is decided upon it will not be interfered with.

The sugar industry in Louisiana has had an honorable existence of over 140 years, and by its record merits the consideration asked, not only for the owners but for the thousands of workers and dependents as well.

Respectfully submitted.

CARL F. DAHLBERG.

The CHAIRMAN. Is Mr. Dahlberg interested in that Florida venture?

Senator ELLENDER. No. He was, but he is not now.

The CHAIRMAN. He was the one who was interested?

Senator ELLENDER. That is right; years ago.

Senator VANDENBERG. Does he still make Celotex? Is not that the business he was in?

Senator ELLENDER. Well, it is a separate company.

The CHAIRMAN. It is the same company?

Senator ELLENDER. No; it is not. There is a Carl F. and a B. G. They are brothers. One of them has the Celotex end at Chicago, and the other the producing end in Louisiana.

#### STATEMENT OF W. F. GILES, ADELINE, LA., PRESIDENT, AMERICAN SUGAR CANE LEAGUE

The CHAIRMAN. Mr. Giles, you are from Adeline, La., and you are president of the American Sugar Cane League?

Mr. GILES. Yes, sir.

The CHAIRMAN. All right, sir.

Mr. GILES. I would like to preface my statement by mentioning that I understood Dr. Bernhardt to say yesterday that there was no prohibition on the producing of sugar. It is my understanding there

is a prohibition on the sale of sugar, and there would be very little use in growing sugar if you cannot sell it.

Senator VANDENBERG. It is like hanging your clothes on a hickory limb but do not go near the water.

Mr. GILES. Yes. The measure which is before the Finance Committee proposes to extend for 1 year the provisions of the Sugar Act. I am a sugarcane grower, and president of the American Sugar Cane League, which represents the 17,000 producers in Louisiana who grow sugarcane for the production of sugar. All of these farmers, their dependents, their employees, and the communities in which they live, and of which they are the principal support, normally participate in the general welfare of the United States by means of the growing of sugarcane and the production of sugar in Louisiana.

We do not desire that the present provisions of the Sugar Act be continued, and accordingly we do not ask for the extension of the present provisions of the act. In view of our experience during the past several years and the needs of our growers and producers who form the Louisiana sugar industry, we have reached the definite conclusion that there are amendments which are essential to the proper functioning of the law. We advocate these amendments as a necessary part of any resolution of extension, if the benefits intended by Congress in adopting the sugar program are to be guaranteed to our producers.

Because the Sugar Act is emergency legislation, it is limited to a term of 3 years, which will expire on December 31, 1940. The reason for a limited term was to subject the administration of the law to the test of trial and error. Consequently, we have reasonably anticipated that we would be given the democratic opportunity to correct those provisions of the law which our experience under the program has shown to be needed.

Senator VANDENBERG. That "democratic" is with a small "d," I imagine?

Mr. GILES. Yes; with a small "d." [Laughter.]

There are checks and balances which we are convinced will assure to the farmers engaged in producing sugar in the United States the full benefits of the Federal sugar program, shared equitably with the consumer and with labor.

Frankly, our experience under the Sugar Act has been disappointing, and in some respects unnecessary hardships and burdens have been placed upon the industry. If the purpose of this hearing were to make permanent the provisions of the Sugar Act, we should definitely oppose the present provisions and offer instead a new program based upon our experience of the past 6 years under the Federal sugar control. However, it is our understanding that the legislative plan is to extend the Sugar Act for 1 year and then in the next session of Congress to provide a new program.

Senator CONNALLY. You mean just turn the sugar people loose? You mean not to do anything but just turn them loose, with the world competition?

Mr. GILES. No; we do not believe that; no.

Senator CONNALLY. All right.

Mr. GILES. In order that we may explain to you the situation in Louisiana, which has led us to reach this conclusion, permit me to direct your attention with all proper emphasis to the fact that although the proposed extension is for 1 year, the operations of the

Louisiana sugar industry will be affected as to the production and marketing of three crops. In the first place, Louisiana is now planting the sugarcane which will be harvested from 12 to 15 months hence, in the latter part of 1941. In addition, the cane being planted this fall will be harvested as plant cane in 1941, and as stubble cane in 1942, and in some cases in 1943. Furthermore, the sugar will be produced at the end of each calendar year, and therefore the marketing of the sugar will take place partly in the current year of production and partly in the early part of the forward year; consequently, it is obvious that decisions as to farming operations must be made this fall which will affect the production and marketing of three crops. Under the circumstances, the extension of the act for 1 year is much more far-reaching to the Louisiana sugarcane grower than it is to the sugar-beet grower.

Under the sugar program, we have many problems. When a permanent or a long-term program is considered, we will want to offer a dozen or more amendments, which will secure for us an administration of the law permitting us to reach the highest efficiency in farming operations and the actual enjoyment of the intended benefits of the sugar program; but since your committee is considering an extension limited to 1 year, there is one amendment of over-all importance if Louisiana farmers are to be allowed to participate in the sugar program on the same basis of benefits and efficiency as has been granted to other domestic areas. At this time, we do not ask for expansion. The official records show that in 1938, the production of sugar in Louisiana and Florida, which two States compose the mainland sugarcane area, totaled 584,000 tons. This production was achieved under acreage limitations. Since 1938, reductions in acreage have been imposed, and our farmers have been forced to plow up and destroy growing cane in 1939 and in 1940. We have protested these administrative orders but without relief. In fact, under the present provisions of the law and the present policy of administration, our growers face a further reduction or plow-up, because of our restricted and inadequate quota.

Let me emphasize that in 1938 the acreage on all farms was reduced 6 percent or more below the established rotation of 66½ percent sugarcane and 33½ percent legume soil-building crops; in 1939, an additional reduction was imposed of 25 percent; and in 1940 another additional reduction of 10 percent was imposed, with greater reductions required of those who had chosen to harvest the entire crop in 1939. The officials of the Department of Agriculture who have complained that our industry is inefficient and uneconomical have nevertheless imposed regulations and restrictions upon us, which will necessarily nullify and destroy the progress we had made in efficiency, which improvement is best demonstrated by the fact that within the last 5 years Louisiana has almost doubled the number of pounds of sugar produced per acre. As compared to 1926, we are producing five times as much sugar per acre.

As a demonstration of our willingness to cooperate and to avoid creating conflicts and controversies with regard to quota provisions, we submit that we should be allowed to produce at the very least the 580,000 tons which we actually produced in 1938. A marketing quota of 500,000 tons would provide an outlet for the sugar, and the 80,000 tons would be in the nature of a reserve and protection against a

short crop, deficits in other areas, and increases in consumption. The effect of such an amendment would serve to reestablish acreage on the basis of 1938 and to give legal authorization to a production of sugar not greater than an amount already produced in 1938. It is evident that such an amendment would not provide for expansion in acreage or in processing capacity, but will permit a fair and equitable distribution of proportionate-share acreage among all growers of sugarcane for sugar in the mainland cane area, and allow the orderly marketing of such production.

Senator DAVIS. May I ask a question?

If the sugar lands of Louisiana and Florida would produce all of the sugar they were permitted to produce, or all the sugar they could produce, how many tons would they produce?

Mr. GILES. I do not know what Florida can produce. I believe they claim they can produce 250,000 tons. Louisiana could come close to doubling her production, approximately 500,000 tons in 1938. They could easily produce 750,000 tons.

Senator DAVIS. How much are they producing now?

Mr. GILES. This year they estimate it will be 400,000 tons, for two reasons, one is the acreage reduction.

Senator DAVIS. And Florida is producing how much?

Mr. GILES. Florida is producing, I think, about 80 to 90 thousand tons in 1 year.

The potential productiveness of our croplands and of our factories would not be under consideration, because we are simply asking that the status quo of 1938, which provided for equality and efficiency among our growers, would be maintained and legalized. Certain persons opposed or antagonistic to the production of sugar in Louisiana have sought to create the impression that the Louisiana sugar industry has expanded and increased acreage out of all proportion and reason. We will let the statistics of the Department of Agriculture furnish the answer. According to the Bureau of Agricultural Economics, the acreage harvested for sugar in Louisiana has been as follows:

Year	Acre	Number of farms	Year	Acre	Number of farms
1934.....	222,000	9,540	1937.....	254,000	10,383
1935.....	230,000	9,547	1938.....	270,000	10,504
1936.....	227,000	9,182	1939.....	238,000	11,255

A simple comparison demonstrates that the acreage in 1939 was less than it was in 1935, 1937, or 1938, and very little above the acreage harvested in 1934. It is apparent from the figures that the acreage in Louisiana has been decreased. But, although the total acreage for Louisiana has been decreasing, the number of farms and of producers involved has been steadily increasing. To give some idea of the relation, let me point out that in 1934, there were 9,540 farms which produced sugarcane for sugar, but in 1939 the number of farms had increased to 11,255. The number of producers involved in 1934 was 15,570, while in 1939 there were 17,454. These figures tell our story more forcibly than any argument which might be presented.

Fundamentally, the purpose of the sugar program has been stabilization. In 1934, the Louisiana sugar industry was composed of

growers and processors who had maintained the production of sugar in Louisiana during periods of depression and disease, which tried men's souls—but they kept the industry alive. The new varieties of cane which had been seeded in Louisiana were beginning to produce an increased tonnage per acre of sugarcane and a greater number of pounds of sugar per ton of sugarcane. The original quota given in the Sugar Act of 1934 was based upon the then current production. As the productiveness per acre in pounds of sugar was being accomplished and the industry restored to the productiveness which it had enjoyed before the first World War and the mosaic disease, it soon became obvious that the original quota was entirely inadequate. Accordingly, the quota for the mainland cane area was established at 420,000 tons in the Sugar Act of 1937. The farmers who had maintained the industry and brought it back after many years of losses, appeared about to enjoy the fruits of their sacrifices and fortitude. However, the sugar program had established a parity price for sugarcane and the prolific yields of new varieties of seed cane had vindicated the faith of the farmers in that crop. Naturally, other farms which had abandoned that crop sought to come back into the picture. At first, they were restrained and restricted by the quota and other provisions in the law. But, in 1937, the new sugar Act made an incidental provision for new growers. The officials of the Department of Agriculture placed great emphasis upon the authority given to extend the program to new growers.

It is quite easy to understand how our problems became aggravated. The production of sugarcane per acre had increased from 13.6 tons in 1934 to 21.7 tons in 1938; instead of extracting 158 pounds of sugar from each ton of cane as in 1934, the Louisiana sugar industry averaged 168 pounds in 1938; thus, an acre of sugarcane land which had produced 2,148 pounds of sugar in 1934 was producing 3,645 pounds of sugar in 1938. In determining proportionate shares, our acreage necessarily had to be computed on the new productivity, which meant some acreage restriction, and we expected that. We also knew that if we wanted stabilization, we had to suffer some restrictions under the sugar program, although we have always felt that the home market really belongs to us to the extent of our ability to supply it. But, the introduction of new growers at a time when there was not sufficient quota really to take care of established growers, whose acreage had begun to yield returns from the vast sums of money and the mighty efforts in research to bring about new varieties, made a bad situation worse. So, the acreage of established growers has been reduced with a negative progressiveness, until we now anticipate that the sugar program, instead of giving us stabilization, is gradually destroying the efficiency and the economic balance of the industry which Congress intended should be encouraged and helped.

We have advocated consistently that all farmers who have sugarcane lands in Louisiana should be allowed to produce sugar as long as the continental production of sugar remains as low as 30 percent of the consumption of our own country. We have fought for the right of all of our farmers to participate in the sugar program, and we know that when all of them are permitted a sufficient acreage for an efficient operation, the prosperity of the State of Louisiana will be established. But no magician can continually restrict production with one hand and increase the number of producers with the other without finally

causing hardships and losses to the body of the producing group as a whole. The obvious answer is that there must be an adjustment. It is still more obvious that, under the circumstances, the adjustment to be beneficial to the State of Louisiana must be made by increasing the quota and not by reducing the number of growers or the number of acres allowed each grower.

Sugarcane is a mass-production crop. It must be recognized that men who own farms have to operate them on the basis of the value of the land and improvements, as well as the investments in drainage and physical constructions, mechanical implements, work stock, and so forth. The volume of production controls the success of any enterprise. One might suggest that there ought to be a greater distribution of acreage to more farmers, but this would be possible to do successfully only if the income would be sufficient to permit a profitable operation with less volume.

Scientists of the Department of Agriculture are agreed as to the ratio of acreage in sugarcane and acreage in soil-building crops. This rotation has been practiced in Louisiana for more than 100 years. But having this rotation disrupted from year to year and the price of sugar being depressed by the manipulations of excessive supplies in the face of no increase in demand, makes it impossible for our sugarcane growers to enjoy the benefits of the sugar program. If the unit price is reduced by the administrators of the Sugar Act, and at the same time the unit cost is increased by the administrators of the Sugar Act, then there is no way to overcome these disadvantages except by producing the volume which is needed for the highest efficiency. We desire to maintain our progress toward the highest efficiency; but we are convinced, as we are sure you are, Senators, that an adjustment in quota, based upon experience and performance in acreage and production, is essential to a satisfactory solution of our problems.

The question is bound to be raised that there should be no changes in quota without proportionate increases to other domestic areas. We submit the facts as to our difficulties as demonstrating that we do not now ask for expansion and that these difficulties exist only in our particular area.

We do not oppose increased quotas for other domestic areas; on the contrary, we advocate the increase of quotas until our domestic producers are given a larger share in the home market. But in the case of the beet area, we have looked into the record and find that new producers have been permitted to enter into the program in tremendous numbers. As a result, the production of sugar in California has been increased from 239,000 tons in 1935 to 451,000 tons in 1939, with the prospect of even further increases in 1940.

There have been reductions in other States, but in the administration of the Sugar Act the officials of the Department of Agriculture have permitted unrestricted acreage to beet growers. At the beginning of 1940 a determination was published by which there would be restrictions on beet acreage, but the complications which arose, plus some indications of unfavorable weather conditions, brought about a final determination taking off the lid, and presently the beet crop is being produced on unlimited and unrestricted acreage. We are delighted that our compatriots have this privilege, and we only ask that the same privilege be extended to sugarcane growers in Louisiana, or

at least to the extent of permitting our growers to achieve greater efficiency and to conduct operations which are justified economically.

As proof of the sincerity of our complete willingness to cooperate, and reducing our requests to the extreme minimum, we propose that the quota of the Philippine Islands be established at the amount of the duty-free limitation provided in the Philippine Independence Act, which averages about 982,000 short tons, raw value. The Filipinos have been unwilling to import any sugar to the United States on which they would have to pay the full-duty tariff. As their basic quota under the Sugar Act is 1,029,000 tons, this leaves a potential 47,000 tons of sugar available. Under the present provisions of the Sugar Act, this surplus in the Philippine quota is reallocated to foreign countries other than Cuba, but for 1940 the Secretary of Agriculture has announced that there would be no reallocation, and, therefore, it cannot be contended that any sugar-producing area has a vested interest in this Philippine surplus. By adding 47,000 tons to the basic quota of the mainland sugarcane area, the current problems of adjusting production and marketing quotas in our area would be temporarily solved until a general revision of the sugar program could be had in the 1941 session of Congress.

We regret exceedingly that the resolution to extend the Sugar Act has been so long delayed that it now comes up at the eleventh hour, just as Congress is about to adjourn. It will be a greater hardship for the Louisiana sugar industry to have the Sugar Act extended without amendment than it will be for any other area.

The restrictions on acreage, as well as marketing, unless they are corrected now, will affect our operations adversely for 3 years. But, in view of the fact that the other areas are so vitally interested in the extension, and in view of the promise which has been made for a complete consideration of the entire sugar program by Congress in 1941, we would prefer to have the Sugar Act extended in the form that the measure passed the House, regardless of how badly we need the 47,000 tons to adjust our marketing problems, and regardless of the fact that to give us this additional quota would not affect any other domestic area, rather than to have the act expire at the end of 1940.

The CHAIRMAN. Are there any questions?

Senator VANDENBERG. Then, as I understand it, you finally are in favor of the extension of the Sugar Act?

Mr. GILES. Yes.

Senator VANDENBERG. With the assurance that there will be a complete exploration of this subject next year.

Mr. GILES. Yes. We feel we should get the 47,000 tons. It will work no hardship on any domestic area. But we do not want it to look like we were—I would not like to use this expression—the dog in the manger. It would help our marketing immensely.

Senator VANDENBERG. Your attitude is precisely the same as that of the midcontinent beet section. They are completely dissatisfied with many phases of the sugar administration, but there just is not time to correct the situation between now and January, but there certainly will be time after January. We are accepting the extension as it is solely on the theory that there is going to be a correction next year in these obvious inequities in the sugar administration.

Mr. GILES. That is our position. You stated it correctly.

Senator CONNALLY. I have just one question. How does your acreage production compare under the bill and prior to the enact-



ment of the sugar legislation? Do you make more or less sugar per acre?

Mr. GILES. We make more sugar per acre. We have a better variety of cane and we are producing more sugar per acre.

Senator CONNALLY. In that sense, the incentive has been to improve your grades?

Mr. GILES. Yes.

Senator CONNALLY. And improve your cultivation?

Mr. GILES. Yes.

Senator CONNALLY. You get more sugar out of less land?

Mr. GILES. That is it, due to improved varieties of cane.

Senator CONNALLY. Do you anticipate that will be the continuing effect of sugar regulation?

Mr. GILES. We hope so. But we need more quota.

Senator CONNALLY. On the whole, then, you favor the passage of this act now, and then we can look into it again in 1941?

Mr. GILES. That is my position.

Senator CONNALLY. All right.

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

Mr. GILES. Thank you, sir.

The CHAIRMAN. Mr. Josiah Ferris, Jr., representing the Florida sugar producers.

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

Mr. FERRIS. My name is Josiah Ferris, Jr. I am a sugarcane grower in the Florida Everglades. I am director and vice president of the Florida Cooperative Sugar Association, and an officer in the United States Sugar Corporation.

I desire to speak for and on behalf of the sugarcane and cane-sugar producers of Florida.

Existing sugar-house capacity in Florida is in excess of 152,000 tons raw sugar per annum. Another cooperative sugar house, already designed and partly financed, will have an annual capacity of 150,000 tons. Against this figure of 302,000 tons, the producers in the State have been allotted a marketing quota of less than 60,000 tons. It is doubtful if any sugar-producing region, or in fact any production in any region, is so handicapped and restricted.

The 37 growers of sugarcane, for sugar, in Florida have more than 36,000 acres planted to sugarcane. Proportionate shares are held by but 33 growers and are limited to only 25,000 acres.

Senator CONNALLY. Just a minute. You mean there are only 36 growers in the State?

Mr. FERRIS. Yes.

Senator CONNALLY. Only 36 sugar growers in the entire State of Florida?

Mr. FERRIS. There are 37 growers.

Senator CONNALLY. Don't lose any.

Mr. FERRIS. All right, sir.

Senator VANDENBERG. Those are corporate growers, are they not? It does not represent a vast number of small farm units?

Mr. FERRIS. No, sir; there are two or three corporate producers, and the rest are individual.

Senator CONNALLY. Are the units pretty much the same, or are there some big ones and some small ones?

Mr. FERRIS. No, sir; there is one large one and one medium size and the rest are small, individual producers.

Senator CONNALLY. What is the acreage under cultivation?

Mr. FERRIS. The acreage under cultivation is 36,000 acres.

But they have a proportionate share given them by the Government of only 25,000 acres. Those are round numbers.

Senator CONNALLY. I see.

Mr. FERRIS. Distressing as is such picture of production of a non-surplus necessity of life, it is but part of an even more unfortunate picture. The most unfortunate part of this whole situation is that the normal production from less than 15,000 acres out of the total of more than 36,000 planted acres will fill the current marketing allotment to all the growers in the State.

If Florida growers should endeavor to market the sugar which can be produced on the planted acreage, the penalties under section 506 of Sugar Act of 1937 would be more than double the gross proceeds from the entire crop. High Government officials constantly proclaim the evils of State barriers to interstate commerce. The existing sugar legislation is not only an insurmountable barrier to interstate trade, but an equally high barrier to intrastate trade. Who will deny that a penalty equal to three times the market value is not an insurmountable barrier? In weighing these facts we must not overlook the fact that sugar is a nonsurplus vital necessity of which we produce less than one-third our requirements; the balance of our requirements today must be transported over the open ocean, in some instances halfway around the world, and thus subject to all the hazards of ocean transport in a war-torn world.

That Florida is a low-cost producing area is amply proven by comparison of Tariff Commission figures for other regions with the published and certified cost for Florida. That Florida is a high-wage region is testified by Department of Agriculture; Secretary Wallace, in report to President, said:

Florida producers appear to be able to maintain higher wage and labor standards than do most producers in the mainland cane area.

Testifying before Senate Civil Liberties Committee, the Chief of Labor Section of Sugar Division said:

Sugarcane workers in Florida constitute a relatively privileged class of agricultural workers.

The State of Florida, many of its political subdivisions, and many private enterprises have spent many millions of dollars carrying out the mandate of the Federal Government to drain and develop the Everglades. The Everglades came to the State of Florida under the terms and conditions of the Swamp and Overflowed Lands Act of 1850, which required the area to be drained and developed. After the expenditure not only of millions of dollars, but also much hard work and extraordinary effort, as well as great ingenuity and resourcefulness, such mandate was fulfilled. The reward has been denial of the right to dispose of the nonsurplus produce of the soil. The Federal Government required that the Everglades be developed and it is unthinkable our people should now be denied the fruits of their labor.

Sugar is a source of readily available energy in a compact and inex-

pensive form; it is a vital necessity of present-day life for most of our people. During the World War sugar was rationed; despite rationing the price was driven beyond all reason by those who controlled supplies for this market and shortly after the war sold at prices in excess of 25 cents a pound. To help relieve the sugar shortage the Federal Government encouraged expansion of sugar acreage within the States. Today, by reason of Federal legislation, we are dependent on the same overseas sources for more than 70 percent of our sugar requirements. It would seem but good, hard, common sense to now grow at home as much of this vital necessity as possible instead of limiting ourselves to less than one-third of our requirements.

On more than one occasion private enterprise has been publicly accused of being far from helpful in efforts to relieve the grave problem of unemployment in this country. Today we have the strange spectacle of private capital both willing and anxious to create gainful employment, in the most distressed part of our national economy, at higher than average agricultural wages and living standards, in the production of a nonsurplus necessity of life, and such well-worth-while achievement being denied fulfillment through the prohibitions, limitations, and restrictions now imposed by the Sugar Act of 1937.

So Americans may be denied the right to supply their own needs, and in supplying their own needs create gainful employment for thousands and thousands now on relief, the doctrine has been devised of taxing food out of the mouths of our people so special interests may raid the Public Treasury. I am referring to the tax on sugar and the so-called benefit payments to sugar producers.

The great majority, in number, of those receiving so-called benefit payments are operators of family size farms, but the great bulk, in amount, of such payments goes to large operators. An operator of a family-size farm, that is, a farm operated by the farmer, members of his immediate family and one hired man, conducting proper crop rotation and correct farming practices, all of which entitle him to payments under other farm programs, cannot earn more than \$200 in benefit payments under the Sugar Act. So as to provide some margin and thus be sure not to penalize any true operator of a family-size farm the maximum benefit payment under sugar legislation should not exceed \$250; such a limitation would eliminate any and all necessity for processing, excise, or sales tax on sugar and should be reflected in lower prices to the consumer.

To provide for annual payments of more than \$250 to any sugar-beet or sugarcane producer is simply to use the great body of American farmers as a screen behind which may hide large commercial producers, as well as great insurance companies owning and operating large numbers of foreclosed farms.

Senator VANDENBERG. How would that operate in the case of your big Florida producer? Haven't you one large corporate producer?

Mr. FERRIS. Yes.

Senator VANDENBERG. And, as I understand it, you would cut the big producer down to \$250?

Mr. FERRIS. Cut him out entirely.

Senator VANDENBERG. Yes.

Senator JOHNSON. As I understand it, you would cut out the tax and the benefit payment.

Mr. FERRIS. If you cut out the tax and give the benefit payment only to the operator of the family size farm, you would not need any tax.

Senator JOHNSON. That is what I had in mind. You are advocating the removal of the tax and the removal of the payment simultaneously.

Mr. FERRIS. Yes.

Senator CONNALLY. Not below \$250.

Senator JOHNSON. He means what payments you do make out of the Treasury and at the cost of the taxpayers, but he does not mean to levy a special tax on sugar.

Mr. FERRIS. Any more than you levy a tax on milk, or butter, or bread, or any other article of food.

Senator JOHNSON. To stabilize any one industry.

Mr. FERRIS. Yes. It is very alarming now many of our people, rich and poor, little and big, individually and collectively have the idea the National Treasury is nothing more or less than a great grab-bag, or a huge never-failing trough, out of which everyone should help himself to his heart's content.

Insofar as the sugar program was supposed to help American producers of other farm products the true facts, based upon data from Department of Commerce, were presented to House Committee on Agriculture on April 11 last. These facts amply support Secretary Wallace's contention: "the best market for American agriculture is the domestic market."

Senator VANDENBERG. That is not his theory in connection with sugar.

Mr. FERRIS. I am simply quoting what he said, sir.

Senator VANDENBERG. Yes.

Mr. FERRIS. In 1932 sugar prices reached an all-time low. In 1933 conferences of the industry were held in Washington for the avowed purpose of stabilizing the industry. In 1934, on the plea of an emergency, the industry was placed under complete Federal control. After 6 years of governmental control, regulation, restriction and limitation, what do we have? Less than a year ago restrictions and limitations had to be suspended to protect the consumer. After 6 years of governmental control, now current prices, after proper allowance for excise or sales tax, are as low as the 1932 prices. It is clear that sugar legislation has helped neither the consumer nor the producer; to continue sugar legislation in the face of the facts is to create what can only be termed a "permanent emergency."

So as to conserve the time of the committee we respectfully refer to our testimony during previous hearings on this same subject, also to records and reports of various governmental agencies dealing with the sugar question.

In conclusion we desire to summarize our position as follows:

We, of Florida, a sovereign State of the Union, ask only treatment equal to that accorded the offshore areas, now guaranteed more than 70 percent of our sugar market.

We join the many high governmental officials who protest barriers to interstate commerce; present sugar legislation has erected insurmountable obstacles not only to interstate commerce but to intrastate commerce.

We object to raids upon the Public Treasury, conducted solely for the benefit of some entrenched and greedy, special interests under the

poorly veiled pretense that such raids are helping the American farmer.

We object to American sugar consumers being placed at the mercy of entrenched and greedy, special interests, who have fully and completely demonstrated their intention to gouge the consumer at every opportunity.

We object to the American consumer being denied the right to purchase the produce of American soil.

We protest granting foreign countries and other offshore areas exclusive rights to the American sugar market on the mistaken assumption such action helps the American farmer.

We protest the enactment or continuation of any law which insures high-cost, low-wage, inefficient producers exclusive rights to a fixed and very large proportion of the American sugar market.

We protest any law which prohibits us carrying out the mandate of Congress as expressed by the Swamp and Overflowed Lands Act of 1850, and in the carrying out of which mandate millions of dollars of private capital have been invested.

We object to any law which prohibits us from creating new, additional and much needed employment in the United States.

We protest any limitation or restriction upon home production of vital non-surplus food necessities, particularly during these unsettled times, when two-thirds of our needs are presently subject to all the hazards of ocean transportation.

We protest any limitation or restriction on the traditional and inherent right of Americans to supply their own need.

Now, gentlemen, I crave your indulgence and permission to discuss very briefly, off the record, a matter which was presented to the committee yesterday and discussed at some length but which, for some reason or other, does not appear in the transcript of the proceedings which was furnished me this morning.

The CHAIRMAN. There was a time yesterday, while the committee was in executive session, where certain testimony was not taken down. Is that what you mean?

Mr. FERRIS. No, sir; I refer particularly to a statement which was made in the open meeting, probably along in the middle of it, and I failed to find that in my record, although that statement, I understand, was quoted in some of the New York newspapers this morning.

The CHAIRMAN. All right, proceed, but I do not think it is just right not to take it down.

Mr. FERRIS. Inasmuch as it did not appear in the record, I thought it probably would be more appropriate and possibly less embarrassing to certain individuals if it was discussed off the record. I am perfectly willing to state what I have to say under oath.

The CHAIRMAN. Well, we have not put other witnesses under oath, and there is no reason why you should be put under oath. We are assuming everybody is telling the truth here, but we have a stenographer here now and you may proceed.

Mr. FERRIS. Well, if it is the will of the committee—

The CHAIRMAN (interposing). It is up to you. You voluntarily wanted to state it, you said. There is no objection, I do not suppose, on the part of the committee.

Mr. FERRIS. Very good, sir. I would like to correct an erroneous statement which has been made a number of times to various com-

mittees of Congress, and was made again yesterday to this committee, by the Government's witness, Dr. Bernhardt.

The CHAIRMAN. Well, the doctor is here.

Mr. FERRIS. He probably knows what I want to talk about, too. The Doctor, I am sure, did not intentionally desire to misrepresent the facts when he said that the United States Sugar Corporation, in 1934, begged to be permitted to come in on the sugar program and was saved from bankruptcy by the benefit payment it received after its crop had been severely damaged by frost.

This, however, is what actually did occur: When the 1934 conferences were being held between governmental officials and members of the sugar industry relative to a system of quota control, the United States Sugar Corporation was then, as it is now, opposed to any restriction or limitation on production of a nonsurplus crop. But the corporation was given to understand if it wanted to stay in the sugar business it had better go along with the crowd. It did. During the winter a considerable portion of the crop was severely damaged by frost. Then came spring and time for the benefit payment check. The check was duly issued and turned over to one of the Department of Agriculture officials for delivery to the corporation. Then it just dematerialized, apparently it faded from the face of the earth, because the corporation did not get it, and everybody in the Government department denied every knowledge of it. We did not know what had happened to it.

Senator TOWNSEND. How do you know the check was issued?

Mr. FERRIS. The Comptroller General's office furnished that information to a member of the United States Senate.

Senator CONNALLY. What happened to the check?

Mr. FERRIS. I am just coming to that now, sir.

Senator CONNALLY. They do not issue checks that people do not get.

Mr. FERRIS. This one they did not get immediately, but eventually they did. Several months elapsed during which time adequate financial arrangements were made by the corporation with private individuals and banks. Through the good offices of the late Senators Fletcher and Trammell a search for the missing check was started. Eventually they found this check deep down in the desk drawer of one of the officials in the Department of Agriculture.

Now, that, gentlemen, is how the United States Sugar Corporation was saved from bankruptcy by the Department of Agriculture.

Senator VANDENBERG. How much was the check for?

Mr. FERRIS. The check was, as I recall it, in excess of a million dollars.

Senator VANDENBERG. Did you finally get it?

Mr. FERRIS. We finally got the check; yes, sir.

The CHAIRMAN. Whom do you mean when you say "we finally got it?"

Mr. FERRIS. I meant that the corporation received it.

The CHAIRMAN. The corporation got the million-dollar check?

Mr. FERRIS. Yes.

Senator VANDENBERG. As I understand your program, you want to cut the million-dollar check down to \$250.

Mr. FERRIS. Yes, sir; I think that would be fair, without any tax.

The CHAIRMAN. Was there any protest on the part of the corporation to receiving that check?

Mr. FERRIS. No, sir; the corporation never has protested and never will protest, the receiving of a check of that size, or any other size, as long as their competitors are also granted the same payments.

The CHAIRMAN. What is there so strange about that?

Mr. FERRIS. About which? I do not understand.

The CHAIRMAN. You got this payment the same as other people who were entitled to the payment, is that right?

Mr. FERRIS. Yes, sir.

The CHAIRMAN. What is so strange about it?

Mr. FERRIS. You mean about the statement that I wish to correct?

The CHAIRMAN. Yes.

Mr. FERRIS. Well, I understood the doctor to say that the corporation begged to come in on the program. In the first place, they did not beg, and they were practically told if they did not come in they would not be permitted to stay in the sugar business, anyway, they were given to understand that. Then he stated the Government payment check saved the corporation from bankruptcy.

Senator VANDENBERG. Who gave you to understand that they would put you out of the sugar business?

Mr. FERRIS. I was not personally present at those conferences, but the corporation, I am sure, had that impression; the facts are stated in its published certified report, copies of which, by the way, have been furnished to the Department of Agriculture.

The CHAIRMAN. Well, there is nothing strange about it. You came in like anybody else and you were entitled to this million-dollar check.

Mr. FERRIS. The strange thing is that an official of the Department would attempt to create the impression on the members of the committee that the Department of Agriculture saved us from bankruptcy, when, as a matter of fact, they did apparently everything they could to force the company in by withholding this check.

Senator TOWNSEND. How long did they withhold it?

Mr. FERRIS. It was several months.

Senator VANDENBERG. Why do you think they withheld it?

Mr. FERRIS. I would not say. I say it was not delivered, and it was finally only discovered through the efforts of Senator Trammell and Senator Fletcher, and when it was discovered it was in the gentleman's desk. It could have been overlooked, although there had been numerous inquiries. At that time I happened to be with Senator Trammell and I know we tried very hard to locate the check.

The CHAIRMAN. The corporation told you they did not receive the check and you tried to find it?

Mr. FERRIS. Yes.

The CHAIRMAN. That was all right. There was not anything wrong in that, that the corporation should write to the Senator.

Mr. FERRIS. No, sir; and I am not maintaining that there was. I think it was perfectly legitimate.

The CHAIRMAN. All right.

Mr. FERRIS. The statement was also made yesterday that the corporations' benefit payments were considerably in excess of the taxes they paid, and that statement is incorrect. During the past harvest the taxes amounted to some—by "taxes" I mean the 50 cents a hundred pounds raw value on sugar—amounted to some \$183,000

in excess of what we received in benefit payments, and in the preceding harvest it was \$310,000, in round numbers, in excess of what we received.

Senator TOWNSEND. What do you mean by "tax"?

Mr. FERRIS. The Sugar Act provides a processing tax of 50 cents a hundred pounds on raw sugar.

Senator VANDENBERG. You have the satisfaction of being quite unique anyway, because this is the first million dollars on the way to Florida that I have known to be even interrupted.

The CHAIRMAN. All right, thank you.

Mr. FERRIS. Thank you, sir.

(The following answers to certain questions were submitted by Mr. Ferris:)

#### ANSWER TO QUESTION RE MAXIMUM BENEFIT PAYMENTS

The benefit payments per acre of sugar beets, based upon agricultural statistics 1939, and using the maximum payment of 60 cents per 100 pounds of sugar, would be \$21.75 (12.5 tons beets per acre times 290 pounds sugar per ton of beets times 60 cents per 100 pounds sugar—see table 170, p. 126). Using the same statistical source, and maximum base, the benefits per acre of Louisiana cane would be \$18.60 (21.7 tons cane per acre times 148 pounds sugar per ton cane times 60 cents per 100 pounds sugar—see table 180, p. 134). It is clear from these figures that the sum of \$200 will cover sugar-beet production on 9 acres and sugarcane production in Louisiana on 11 acres. It is maintained without fear of successful contradiction that such acreage is the maximum which can be maintained on a diversified family size farm. It is interesting to note the much greater returns available from sugar beets than from three of our major crops. The average farm value of sugar beets is \$63.50 (table 170, p. 126) and so-called benefit payments aggregate an additional \$21.75 per acre, or a total of \$85.25; such amount is 14 times the farm value of an acre of wheat (table 1, p. 10), 6 times the farm value of an acre of corn (table 45, p. 45), and more than 4 times the farm value of an acre of cotton (table 137, p. 103).

#### ANSWER TO QUESTION RE BENEFIT PAYMENTS TO UNITED STATES SUGAR CORPORATION

There have been paid United States Sugar Corporation so-called benefit payments aggregating \$2,750,000. Taxes for meeting benefit payments, deducted by refiner in settlements with United States Sugar Corporation, are probably far in excess of such amount; for the harvest just completed the excess of taxes over benefit payments was \$183,741 and for the preceding harvest \$310,150. It is interesting to here note that had we been permitted to operate at capacity the increased earnings would have been much greater than the so-called benefit payments received; I believe this condition is also true of all efficient producers other than operators of family-size farms to whom payments not in excess of \$250 per annum have been suggested.

#### ANSWER TO QUESTION RE SUGAR-HOUSE CAPACITY

Unrestricted production means we could operate from the beginning of October through the middle of May, a total of 227 days; deducting recent percentage lost time all causes yields 218 net operating days. Clewiston can average better than 600 tons 96° sugar per full operating day and as Fellsmere is one-sixth the size of Clewiston we have a combined daily output of 700 tons. A harvest season of 218 net days at 700 tons per day gives an annual capacity of 152,600 tons, which we have rounded off to 152,000 tons.

The CHAIRMAN. There is a gentleman in the audience who desires to be heard briefly, Mr. John R. Owens. Mr. Owens represents The International Longshoremen's Association. All right, Mr. Owens.



**STATEMENT OF JOHN R. OWENS, SECRETARY-TREASURER, THE INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, NEW YORK**

Mr. OWENS. Mr. Chairman, and members of the committee.

I desire just put a statement in the record. We are in accord, as is the American Federation of Labor, with having the bill as it passed the House, and we would like to have it acted on as quickly as possible. (The statement submitted by Mr. Owens is as follows:)

The International Longshoremen's Association of which I am secretary-treasurer is affiliated with the American Federation of Labor. Our association has a membership of about 75,000 men who are unionized in practically every State on the Atlantic and the Gulf coast—from Maine to Texas; we have a few locals on the Pacific coast and on the Great Lakes. The men in our union work in the various activities on the waterfront in foreign, intercoastal, and inland waterways trade. It includes longshoremen, checkers, weighers, cargo repairmen, warehousemen, samplers, lighterers, bargemen, tugmen, and other trades ordinarily found in water transportation.

The International Longshoremen's Association endorses the enactment of H. R. 9654, retaining its quota limitations upon tropical refined sugar from Hawaii and Puerto Rico and upon refined beet sugar. An expansion in the beet-sugar industry or an expansion of tropical refining would both be harmful to the membership of our association.

In the first place, our association has as its members the men and women who work in some of the large refineries in the port of New York. These refinery workers receive from 70 cents to \$1.03 an hour for men and 43 cents to 53 cents an hour for women—in all cases the 8-hour day and 40-hour week prevail, with time and a half for overtime and one week's vacation each year. These 3,000 men and women are dependent for their livelihood upon the amount of cane sugar refined in the United States. It is obvious that an expansion in the refining of sugar in Hawaii and Puerto Rico would deprive our members of employment and I regret to say that they are now employed only about half of the time. Our association and the American Federation of Labor are on record as being 100 percent opposed to the expansion of tropical refining.

The membership of our association would be definitely harmed by an expansion in the beet-sugar quota, and this would come about for two reasons. In the first place, if there is an expansion in beet-sugar refining there will be less cane-sugar refining done in Brooklyn and other refining cities. Consequently, an expansion of beet-sugar refining would create unemployment in our membership just as would the expansion in tropical refining.

But we are opposed to an expansion in beet-sugar refining for an even more fundamental reason, and that is because if the refining of beet sugar is increased there is less importation of tropical raw sugar from the sugar islands. Sugar is the second most important commodity entering the United States from overseas. Our membership gets its livelihood from handling overseas trade and we lose jobs if there is a reduction in this trade. If there is less raw sugar brought into the United States, there is less stevedoring, warehousing, weighing, checking, sampling, and so forth. No one could expect our association under these circumstances to endorse a modification of the sugar law which would throw us out of employment.

And the expansion of the beet-sugar industry since 1925 by approximately a million tons has meant that we have already lost employment in this way. A million-ton decrease in raw sugar coming to this country has affected directly or indirectly every one of the 75,000 men in our union. And I call to your attention that there are less than 75,000 beet farmers.

If the beet-sugar industry could expand its production without substantial subsidies we, of course, would have to take the medicine. We cannot ask Congress to stop the expansion of any business in the United States if that expansion could take place without subsidies, direct or indirect. But we can ask and we sincerely do ask that Congress not pass legislation which will further expand a subsidized industry when such an expansion will immediately and automatically come out of our hide.

It is for this reason that we are willing to go along with the enactment of H. R. 9654 in the form in which it was passed by the House.

The CHAIRMAN. Is there any one else who wants to either submit a brief for the record or who wants to be heard?

Senator CONNALLY. I move we close the hearing.

The CHAIRMAN. Senator Andrews, did you desire to say anything before the committee?

Senator ANDREWS. I will make my statement on the floor. I have got quite a lot to say.

The CHAIRMAN. There will be incorporated in the record at this point statements submitted to the committee by Mr. P. A. Staples, president and general manager of the Hershey Corporation, Central Hershey, Cuba; and by Mr. H. H. Pike, Jr., chairman, Cuban Committee, National Foreign Trade Council, Inc. These statements are being submitted in lieu of personal appearances before the committee.

In addition, I am in receipt of a communication from Miss Harriet Elliott, member, Advisory Commission to the Council of National Defense, commenting on the pending bill. Miss Elliott's letter will be incorporated in the record.

STATEMENT BY P. A. STAPLES, PRESIDENT AND GENERAL MANAGER OF THE HERSHEY CORPORATION, CENTRAL HERSHEY, CUBA, AT THE HEARING ON SUGAR LEGISLATION BEFORE THE SENATE FINANCE COMMITTEE, OCTOBER 3, 1940

I have been since 1921 the president and general manager of Hershey Corporation, a Delaware corporation which is chiefly engaged in growing sugarcane and producing refined sugar therefrom in Cuba. Our main development is at Central Hershey in Habana Province, where we operate the largest sugar mill in the western end of the island and the largest and most modern refinery in Cuba.

While the bill H. R. 9654 has been pending in the Senate there has been a development which brings into high relief a flaw in our national sugar policy, through which one of the eight producing areas participating in the quota-control plan is singled out to absorb practically the full force of a quota reduction designed to help all the participants. It is an injustice to Cuba whose position in our market has already been drastically restricted, and it endangers the interests of 130,000,000 American consumers.

This flaw is all the more evident when projected against the background of our present efforts to build up the defense of the Caribbean area and the Panama Canal, and to develop an effective economic defense of the Western Hemisphere. It reflects a situation so critical that I believe we must reappraise our sugar policy in terms of a national emergency and not merely of farm relief.

To this end I would like to submit for your consideration a 10-point analysis of the causes and implications of the crisis into which we have drifted under the present sugar legislation:

I. CUBA CARRIES THE BURDEN

Section 202 (a) and (b) of the Sugar Act of 1937 creates in combination with provisions of the Philippines Independence Act, a situation in which Cuba and the negligible "other foreign" participation must absorb 100 percent of any reduction in producing quotas below the minimum figures at which production in the United States flag areas is frozen.

The effect of this set-up was strikingly shown when the Department of Agriculture announced on August 26, 1940, a reduction of 136,383 tons in the official estimate of United States sugar consumption for the full year 1940. This action

automatically reduced the Cuban quota by 113,421 tons, or 83 percent of the cut in the consumption estimate. The balance was apportioned between 1,620 tons from the "other foreign" sugars and 21,342 tons from the full duty part of the total Philippine quota, which never would be used unless and until the price of sugar almost doubles its present level.

Compare what therefore happened to Cuba with how the other producing areas fared under the August 26 revision in quotas:

Domestic beet.....	No cut.
Mainland cane.....	Do.
Hawaii.....	Do.
Puerto Rico.....	Do.
Virgin Islands.....	Do.
Philippines.....	A "paper" cut.
Cuba.....	Cut of 113,421 tons.
Other foreign.....	Cut of 1,620 tons.

Thus almost the full force of this reduction in marketable tonnage must be absorbed by Cuba whose whole economy is built upon her ability to sell a reasonable volume of sugar to the United States at a reasonable price. And she knows that any further cut in the consumption estimate will require an almost 100-percent sacrifice on her part.

This present penalty would have been mitigated if Cuba had been allowed to benefit from the situation which brought about the need for this cut in the consumption estimate. That situation developed a year ago when the President suspended all quotas to relieve a psychological crisis in the sugar market. Immediately Puerto Rico put in more than 300,000 tons of excess sugar, the domestic beets added another 239,000 tons and domestic cane a further 155,000 tons—a total of 700,000 tons of sugar above the 1939 quotas. But Cuba was prevented from participating in that opportunity for the simple reason that suspension of quotas automatically increased the duty on Cuban sugar to \$1.50 per 100 pounds.

The injustice of such a double-barreled attack on only one of eight participants in the sugar-control program is too obvious to need elaboration.

#### II. SUGAR RANKS FIRST AS A PROBLEM OF SUPPLY

The fact that sugar is currently a glut on the American market should not be permitted to hide the more significant fact that, right now, the sugar bowls in millions of homes overseas are empty through sheer inability to get the sugar to them. We may well examine the continuing dependability of our sources of supply in terms of present world developments, or we may find ourselves in a like situation.

Sugar is classified by the Army and Navy Munitions Board as an essential food, and we are consuming it at the rate of 6½ million tons a year. Our present sugar program calls for our getting this tremendous volume from the following sources:

One million tons from the Philippine Islands which are more than 6,000 miles away and well within the trouble zone of the Far East;

Nine hundred and thirty-eight thousand tons from the Hawaiian Islands which are 2,000 miles away and are being developed as one of our great naval bases. According to an article in the August issue of Fortune magazine, much of the sugar land will be diverted to other crops for feeding the Naval Establishment and the civilian population in the event of mobilization in the Far East.

Eight hundred thousand tons from Puerto Rico which is some 1,100 miles from our mainland and is another important outpost in our defense. In the event of hostilities in the Atlantic, the first call on the arable lands of that island will be the feeding of its dense population.

Ten thousand tons from the Virgin Islands which are still further away and which do not figure importantly in any event.

Summarizing the situation in our own offshore producing areas, we find that we are counting on them for a total of more than 2,700,000 tons out of consumption of 6,500,000. Even if we do not question the ability of these areas to continue producing under wartime conditions, we would still face the problem of providing and protecting the merchant ships to bring this sugar to us.

Turning now to our mainland production, we find that our beet growers have a quota of just over 1½ million tons, and that Louisiana and Florida cane together have an additional 420,000 tons. Here is no problem of ocean shipping, but our experience with these producing areas during the first World War was that they were barely able to maintain their peacetime volume even with the stimulants of patriotic appeal and high prices. The fewer men there are on their hands and

knees in the beet fields, the more effectively can we use our manpower for national defense. And weather conditions in Florida and Louisiana make their production uncertain from year to year, the destruction of sugarcane by killing frosts in those areas during the last crop year being a significant case in point.

There remains, then, Cuba, where cane flourishes as a native perennial grass. From a production standpoint she demonstrated her power by increasing her output 52 percent during the World War, and her cooperation by selling us her entire production at fixed and reasonable prices. From the standpoint of accessibility, her principal port is only 106 miles from our mainland, and the whole island is well within the essential defense zone of our seaboard and the Panama Canal. But, willing as she may be, Cuba can hardly be expected to respond to an emergency call from us if her sugar industry continues to be strangled and disorganized by our sugar legislation.

### III. CUBAN SUGAR HAS BECOME A STRATEGIC FACTOR IN OUR MILITARY AND ECONOMIC DEFENSE

Cuban sugar is not only dependable in volume and readily available to the United States market under any conditions short of the invasion of our South Atlantic seaboard; it has become an important strategic factor in our defense program. Because sugar is the backbone of Cuba's economy, its purchase from her in volume is the best means of strengthening economic and political conditions in the island and thus of developing and maintaining the active good will and cooperation of her people. From a military standpoint this is essential, as Cuba forms the longest link in the chain of defense between the entrance to the Gulf of Mexico and the northern approach to the Panama Canal. (See appendix D, quotation from Major Elliot, military expert.) From the standpoint of economic defense against totalitarian infiltration into Cuba, sugar is a commodity which we can buy with minimum distortion of our own agricultural economy.

Just as a generation ago we could not tolerate yellow fever in the nearby ports of Cuba, so today we must help her to eradicate "fifth column" activities from among her people. And the most effective way of doing that is to buy the sugar to which her people look for employment and purchasing power.

### IV. DOMESTIC SUGAR PRODUCTION IS NOT A MILITARY NECESSITY

The claim of domestic sugar producers that they should be further subsidized as a military necessity, does not stand up under examination. Our situation is just the reverse of that in European nations which are so far removed from the great sugar bowls of the tropics and are so vulnerable to blockade, that they have been forced to develop beet sugar production as a military necessity regardless of cost. With Cuba at our very doorstep, we face no such need. Our strategic advantage is based on a simple geographical fact which no flood of propaganda should be permitted to submerge, and the American people will become more and more conscious of this fact as they follow the development of our national-defense program.

### V. SUGAR IS A MINOR FACTOR IN UNITED STATES FARMING

Inasmuch as domestic sugar production, whether cane or beet, rests on subsidies, the number of farms receiving benefit payments under the Sugar Act of 1937 would seem to be a reasonably exact indication of the number of farms on which sugarcane or sugar beets are grown. The latest available report (1938) lists 76,559 beet farms and 17,603 cane farms, or a total of 94,162 farms to which sugar benefits were paid from the United States Treasury in that year. This figure of less than 100,000 compares with the more than 6,800,000 farms in the United States.

In other words, less than 1½ percent of our farmers have any producer interest in sugar at all, and their combined production barely tops 30 percent of our national consumption. Thus they do not produce even as much sugar as our rural population eats.

It will be argued that more farmers would grow cane or beets if quotas were removed from domestic production; but that argument rests on the assumption that the American people, including the overwhelming percentage of farmers, are willing to extend still further a subsidy scheme which already is costing them, as consumers and taxpayers, several hundred million dollars a year.

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## VI. CUBAN SUGAR PURCHASES DIRECTLY AID OUR FARMERS

The direct relation between our purchases of Cuban sugar and Cuban purchases of a wide variety of our farm produce, as well as of factory products, is definitely established. This produce includes beans, apples, potatoes, rice, dairy products, packing-house products. The more Cuban sugar we buy, the wider becomes the participation of American farmers in the export sales to Cuba. This reciprocal trade is in line with America's traditional faith in efficiency of production as the basis for general prosperity. We sell what we can grow best, buying in return what Cuba grows best; and both the Cuban and the American farmer benefit.

## VII. CUBAN SUGAR PURCHASES HELP THE UNITED STATES TREASURY

During the last 20 years the United States Treasury has benefited to a net amount of more than \$1,700,000,000 from duty and nonrefunded processing taxes paid on sugar bought from Cuba. This source of Federal income varies directly with the volume of sugar allotted to Cuba under the quota. Every ton we take away from the Cuban quota and give to a domestic producer means a net revenue loss of \$28.

## VIII. THE ALLEGED PRICE GOUGE BY CUBA DURING THE WORLD WAR IS FALSE

Documented facts, already a part of the public record, show that Cuba sold her entire sugar production to the United States Sugar Administration in 1917-18 for a price below the immediately previous market, and in 1918-19 for a price which gave that Administration a profit on its resale of that sugar to the domestic refiners. These facts further show that Cuba urged upon the United States Government the need for continuing this cooperation for a third year, that our Government refused the offer and abandoned sugar control, and that the result was a runaway market which was started by the Louisiana cane interests and developed by the beet interests. In the face of these documented facts it is difficult to understand how supposedly responsible persons have continued, both in and out of Congress, to blame Cuba for that situation. (See appendixes A and B.)

## IX. OUR WORLD WAR EXPERIENCE IS STILL VALID

Dr. Joshua Bernhardt, now Chief of the Sugar Section of the Agricultural Adjustment Administration, served during the first World War as sugar statistician of the United States Food Administration and Chief, Statistical Department, United States Sugar Equalization Board, Inc. In 1920 he published with the authorization of the directors of the Equalization Board a book entitled "Government Control of the Sugar Industry in the United States." Commenting on a table of sugar production in the United States and in Cuba from 1914-15 to 1919-20, Dr. Bernhardt wrote in that book:

"The above figures show the tremendous increase in the production which resulted during the period of Government control in Cuba against which increase the slight decreases in the other sources of supply were negligible. A much higher price than that which prevailed in 1918 and 1919 might have conceivably increased production in the United States beet industry, Porto Rico, and Hawaii to the extent of a few hundred thousand tons, but the wiser policy was adopted of assuming a price level which would encourage production in the only source of supply where large increases could be immediately expected in response to relatively small price increases, that is in Cuba."

May I make the comment on the above quotation, that no United States mainland production and no United States flag production offshore, has been developed since 1920 to challenge the strategic importance of Cuban sugar to the American people in the event of war?

## X. DIRECT CONSUMPTION QUOTAS DO NOT BELONG IN THIS LEGISLATION

Refining is a purely industrial function which has nothing to do with agricultural relief. If the domestic refiners merit protection beyond what they definitely receive from the basic quota program, they can and should be given it in separate legislation. Inclusion in a farm measure of special privilege for a dozen refining companies is not in the public interest.

## CONCLUSION

The present quota for Cuba is 1,749,796 tons. That is less than 41 percent of the 4,281,000 tons she put into the United States in 1929. No other producing

area has been cut back so drastically under our quota control program; indeed, all the other producing areas have been given quotas which peg their production at or close to their peak outputs. The effect upon Cuba has been seriously to disorganize her main agricultural crop.

Unless the stranglehold is loosened, our main reliance for sugar may not be capable of responding when the American people most need help.

**APPENDIX A. DOCUMENTED STATEMENT SUPPORTING P. A. STAPLES' TESTIMONY ON OCTOBER 3, 1940, BEFORE THE SENATE FINANCE COMMITTEE WITH RESPECT TO SUGAR PRICES DURING AND FOLLOWING THE WORLD WAR**

1. In March 1917, the month before the United States entered the war, Cuban raw sugar was selling at an average price of 5.58<sup>1</sup> cents per pound in New York. This average declined in the next few months, reaching 5.02<sup>1</sup> cents in June and July. The average for the year was 5.34<sup>1</sup> cents per pound.

2. When our Food Control Act became effective on August 10, 1917,<sup>2</sup> negotiations were initiated with Cuba for the purchase of her entire 1918 sugar crop; and an agreement to this effect was signed on December 24, 1917.<sup>3</sup> Under its terms, Cuba obligated herself to sell all her sugar, except that for home consumption, to the Allies, one-third for shipment to Europe and the balance to the United States. The price agreed upon for shipments to the United States was 4.98<sup>1</sup> cents per pound cost and freight at New York.

3. Comparing the yearly average prices at New York of 5.34<sup>1</sup> cents per pound in 1917 and 5<sup>1</sup> cents in 1918, it is evident that Cuba granted a price concession which represented a saving of many millions of dollars for the American consumer. Certainly there was no price gouging here.

4. Remember also in this respect that there was a world scarcity of sugar which, because of its high energy value, was important to the soldiers as well as to the consumers back home. The producing areas of the Orient were crippled because of the wartime transportation crisis, and European beet-sugar production fell from a 5-year average of 7,900,000<sup>4</sup> tons for period 1911-16 to 4,200,000<sup>4</sup> average in the 5-year period 1916-21. Cuba was the one great sugar bowl upon which the United States, France, and England could draw. She voluntarily relinquished her chance to profiteer; in fact, she accepted for her entire production a price substantially lower than the prevailing price before the United States entered the war.

5. In looking ahead to 1919, Herbert Hoover, then Food Administrator, saw that there would be a still greater scarcity of sugar and that production costs had necessarily risen because of war conditions. At hearings before the Sugar Equalization Board in Washington during August 1918, the various interests testified as follows:

(a) Our domestic beet-sugar industry, which had normally supplied 7.5<sup>5</sup> percent of United States consumption, required a minimum price not less than 9<sup>6</sup> cents per pound, refined, at seaboard points, in order to maintain production.

(b) The domestic cane sugar industry of Louisiana, which had normally supplied 5.7<sup>6</sup> percent of United States consumption, required a refined price of not less than 9.5<sup>7</sup> cents per pound, in order to maintain production.

(c) The Hawaiian sugar industry, which had normally supplied 14.0<sup>5</sup> percent of United States consumption, required a refined sugar price of 9<sup>6</sup> cents per pound to maintain its production.

(d) Puerto Rico, which had normally supplied 8.6<sup>5</sup> percent of United States consumption, did not testify, being willing to accept any price basis suitable for the beet-sugar or the Hawaiian industry.

(e) The United States cane refiners required an increase of 0.15<sup>8</sup> cents per pound in the refining margin.

(f) Cuba, which had normally supplied 49.7<sup>5</sup> percent of United States consumption, required a raw-sugar price of 5.60<sup>7</sup> cents per pound free on board at Cuban ports. With all costs of transportation and refining added, this was equivalent to 8.59<sup>7</sup> cents per pound, refined.

6. In other words, both our mainland production and that of our own insular areas required prices substantially higher than that of Cuba even to maintain their current rate of output; and no increase could be expected from the American

<sup>1</sup> Statistics on Sugar, U. S. Tariff Commission, August 1933, p. 36.

<sup>2</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 10.

<sup>3</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 16.

<sup>4</sup> Statistics on Sugar, U. S. Tariff Commission, March 1939, p. 4.

<sup>5</sup> Statistics on Sugar, U. S. Tariff Commission, August 1933, p. 13.

<sup>6</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 50.

<sup>7</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 51.

<sup>8</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 52.

sources without the stimulation of a further price boost. So Cuba was asked to hold the bag for the American consumer, and this she cheerfully did by contracting to sell her entire 1919 crop to us at 5.50<sup>7</sup> cents per pound free on board at Cuban ports.

7. It cost the Food Administration 1.45<sup>9</sup> cents per pound for freight, insurance, and duty to get this Cuban sugar to New York, or a total of 6.95<sup>9</sup> cents per pound delivered at our seaboard refineries. But the Food Administration, in order to bolster the domestic price level as a means of maintaining domestic production, charged the refiners 7.28<sup>9</sup> cents per pound for this Cuban raw sugar, thus making a profit of 33<sup>9</sup> cents per 100 pounds. This profit, plus the prevailing duty of 1 cent per pound, went into the United States Treasury. Here again it is hard to see how Cuba was guilty of gouging the American people.

8. Although the war had ended, the sugar situation continued to be serious in 1919. On July 29 of that year the Cuban Government once more offered (Hawley and Rionda letter, appendix B) for the third successive year to sell her entire crop to the United States at a reasonable price; but our Government decided to consider sugar control at an end, and finally made this known officially the very last day of 1919.

9. In the meantime prices for our domestic sugar began to get out of hand. Despite the fact that Cuban raw sugar, delivered to New York, continued to sell at 5.88<sup>10</sup> cents per pound. Attorney General Palmer of the United States was forced to invoke the Food Control Act against both our domestic beet-sugar and cane-sugar producers. On October 21, 1919, he ordered that beet-sugar producers could not demand more than 10<sup>11</sup> cents per pound, then raised this maximum to 10.50<sup>9</sup> cents per pound the next month and permitted the smaller companies to sell at 13.125<sup>9</sup> cents per pound. As for the Louisiana cane production, he authorized on November 8 a maximum price of 17<sup>9</sup> cents per pound for plantation clarified sugar and 18<sup>9</sup> cents per pound for Louisiana clear granulated. These are the facts which are fully documented in the Government archives in Washington and in the official statistics of the sugar industry for 1919. Was it, then, Cuba, or was it Louisiana, who started the raid on the American consumer?

10. In 1920, the United States, having refused Cuba's tender to sell her entire crop at a reasonable price, the producers on that island were left entirely free to sell at the market. The price went to 11.62<sup>12</sup> cents in the first week of January 1920, but declined the next month as the result of larger production in Cuba and Puerto Rico, the low point of 8.7<sup>11</sup> being reached on February 26. Then the effects of a serious drought in Cuba began to be felt and, in the absence of Government control, the price climbed to a high of 22<sup>10</sup> cents per pound on May 31. Thereafter it worked its way down to normal market conditions.

APPENDIX B. DEPOSITED WITH STATEMENT BY P. A. STAPLES ON OCTOBER 3, 1940, AT THE HEARING ON SUGAR LEGISLATION BEFORE THE SENATE FINANCE COMMITTEE

NEW YORK, July 29, 1919.

GEORGE A. ZABRISKIE,

*President of the Equalization Board, New York.*

DEAR SIR: In pursuance of the informal discussions conducted between the subscribers, speaking by authority for the Cuban Government, and members of the Equalization Board as the purchasers and distributors of Cuba's sugar crop for the existing year, we deem it expedient to submit for your information, and as far as you may determine, for your action in continuing the control and disposition of Cuba's crop of sugar for the ensuing year of 1920.

In presenting our suggestions, while acting directly for the Cuban producer, we accept the grave responsibility of speaking scarcely less for the American consumer, and for that vast army of foreign consumers whose needs are of such concern to the American Government.

Fortunately for every interest involved, the great bulk of sugar required by importing countries is provided by the island of Cuba—but she takes no note of this "coign of vantage"—on the other hand, the Island Republic, its hacendados and farmers, and manufacturers of sugar, tender through its own Government,

<sup>7</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 51.

<sup>9</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, p. 53.

<sup>10</sup> Statistics on Sugar, U. S. Tariff Commission, 1933, p. 36.

<sup>11</sup> Transition from Government Control of Sugar to Competitive Conditions, by Dr. Joshua Bernhardt, in *The Quarterly Journal of Economics*, August 1920, p. 731.

<sup>12</sup> Government Control of Sugar, Dr. Joshua Bernhardt, 1920, pp. 732-734.

providing it meets with the consent and cooperation of the American Government the entire wealth of her production, under such terms as may be agreed upon by the contracting parties, at a price moderate, but compensating to the producers and well within the economic reach of the consumer.

This is the fundamental basis upon which our tender is made.

If acceptance through the continued life and active participation of your respected Board—or a similar body—the whole question would be greatly simplified. If, on the contrary, the opportunity to serve—not the American people alone but the universal welfare—is for any reason, technical or otherwise, not availed of through one medium or another, there is not a community anywhere in America, in Europe, or Asia, that will not feel the consequence of our failure to provide a stable price for this most necessary article of human consumption.

Cuba approaches this question with full recognition of her relations to the American people and their Government, and in the spirit of comity and desire for a complete understanding.

We await with unflagging interest your reply, the subject of which we are assured is to you, as it is to us, the most momentous in the world's economy of today.

Faithfully yours,

MANUEL RIONDA.  
R. B. HAWLEY.

APPENDIX C. EXCERPTS FROM ARTICLE, HAWAII: SUGAR-COATED FORT, APPEARING IN FORTUNE MAGAZINE FOR AUGUST 1940

Presumably the Army and the Navy ought to be happy in their tight little Gibraltar. But they are not satisfied. The two major objections are, of course, the Japanese and the lack of food self-sufficiency deriving from two-crop agriculture.

The Army men are enraged at the price of sugar. Most of the locally consumed sugar is milled and refined in Honolulu's one refinery. Yet out of 58 cities listed in a Department of Labor study, only Butte, Mont., had a higher sugar price than Honolulu. Food costs in Honolulu range something over 25 percent above the mainland, electricity nearly 10 percent and gas 15 percent. (The plantation laborer, whose wage looks high, also must pay higher than on the mainland for almost everything except rice. Moreover, prices at the company stores on two plantations investigated by Fortune near Honolulu were uniformly higher than in the Honolulu stores.

To judge by the works of the Pan-Pacific press, the haoles are more worried by what New Dealism—in the guise of promoting labor unionization—might do to slaw traditional Hawaii than they are over the presence of the armed forces of the United States. Nevertheless, it is the Army that is the great potential enemy of the easy, delightful life that has been led for more than three decades by the richer haoles. We have already seen that the island of Oahu produces only 15 percent of its food supply. Realizing what this might portend in case of war, the Hawaiian territorial government talks a great deal and accomplishes very little about developing a diversified agriculture. One sugar plantation grows enough potatoes to fill current demand on Oahu, but it ships them to the United States mainland where, as out-of-season new potatoes, they command high prices.

The Army believes that there is enough food at any given moment on Oahu to last 3 months. So for M-day it has matured careful plans for the quick conversion of sugar and pineapple acres to food crops. The Army can tell you today just what crop this or that particular piece of ground will have to grow in case of war and the threat of siege from the Far East. True, the United States Congress has turned down the Army request for a backlog of seeds for M-day. But future United States Congresses are not likely to be so niggardly in view of the present state of the world. Comes M-day, the unified, centralized control of Hawaiian agriculture will prove to be an advantage to the military; only a few men need be instructed to get the wheels turning immediately. But when and if M-day—with its feared attack by the Japanese—ever arrives the haoles will not witness the conversion of their croplands with any pleasure. For the whole social structure of Hawaii rests upon sugar and pineapples. Hawaiian sugar may be uneconomic from the standpoint of the mainland American, who could get his sugar more cheaply from Cuba if there were no tariff and quota system. But with a retreat from sugar and a change to diversified farming the Territory of Hawaii would not be able to buy an annual \$90,000,000 worth of goods from the United



States—a figure that makes Hawaii our fifth biggest market for mainland goods. M-day would obviously spell disaster for the Big Five.

APPENDIX D. EXCERPT FROM MAJ. GEORGE FIELDING ELIOT'S COLUMN IN THE NEW YORK HERALD TRIBUNE FOR SEPTEMBER 5, 1940.

#### ADVANTAGES OF GUANTANAMO

It has long been recognized that our position in the Caribbean was susceptible of great improvement, the most frequently mentioned requirement being a southeastern base in the vicinity of Trinidad to command the main route from Panama to the east coast of South America. Before the consummation of the present American-British agreement, we had, aside from Panama, only two Caribbean positions—Guantanamo Bay and the Puerto Rico-Virgin Islands area. Guantanamo Bay has very great natural advantages. It commands the most important of the Caribbean entrances, the Windward passage; it has a fine harbor with ample anchorage for the fleet and complete shelter and is easily defended; it is connected by rail with Habana, and so by car ferry with any part of the United States, enabling carload freight to be delivered to its docks without breaking bulk; it possesses excellent sites for the works and docks of a naval station. There seems little doubt that at this point should be located our chief naval base for the Caribbean area. Puerto Rico has the advantage of being our island, but it is lacking in good harbor facilities for our large ships. A second-class naval base, and an army air base, are to be located here. Its attendant isle of Culebra has a fine fleet anchorage; St. Thomas also has a good harbor.

STATEMENT OF H. H. PIKE, JR., CHAIRMAN, CUBAN COMMITTEE, NATIONAL FOREIGN TRADE COUNCIL, INC., BEFORE SENATE FINANCE COMMITTEE ON EXTENSION OF SUGAR ACT OF 1937

The Cuban committee of the National Foreign Trade Council, Inc., urges upon the Senate Finance Committee recognition of the fact that legislation on the subject of sugar has come to have a direct bearing on the even broader national interest in preservation of our export market in the Western Hemisphere and in maintaining our stand at the Habana Conference for economic as well as military solidarity among the American republics.

Our exporters of agricultural and industrial goods normally finding their markets in the established trade channels of a world at peace, are now staggering under an unprecedented contraction and restriction of markets throughout the world. It is the conviction of our committee that there is a crying need, as a matter of national policy, to make every effort to maintain established trade relationships abroad as insurance for the survival of our economy as well as an expression of international good faith.

Cuba is one of the few places now available where we can make that kind of an effort. And Cuba is unqualifiedly willing to devote her economic plant and her international economic policy to the preservation of our established methods of trade.

As a result of specific concessions granted to American products of all kinds, since the effective date of the Cuban Trade Agreement in 1934, Cuba has made a practical demonstration of her willingness to divert her purchases to the United States market. United States Department of Commerce Reports for February 10, 1940, present the following figures of percent of total imports into Cuba supplied by the United States:

	Percent		Percent
1933.....	53.52	1936.....	64.42
1934.....	56.16	1937.....	68.57
1935.....	58.33	1938.....	70.89

This is the plain record of how Cuba has given us the benefit of her foreign purchasing power. No other country has a record which approaches it. We want to make every effort at all times to cultivate such a customer. The figures above show that Cuban purchasing power is overwhelmingly directed toward the United States. We should want to increase that purchasing power. And we can. Cuba has purchased as much as \$500,000,000 worth of our goods in a single

year; and she has also bought as little as \$25,000,000 in a year. The amount varies with the volume of sugar she can sell in the United States. The amount of sugar Cuba can sell in the United States is controlled by United States laws and governmental administration. The decision is squarely up to the United States.

Cuba is unexcelled agriculturally to produce sugar. She has the necessary plant to do so on a greatly increased scale. She is within 100 miles of our mainland, and well within our inner defense zones. She produces sugar which effects a contribution to and not a drain upon the United States Treasury. If properly utilized her sugar could bring a tremendous saving to American consumers. And finally our purchase of Cuban sugar will create a rich market for our producers of all kinds and will strengthen by practical performance our desire for hemispheric unity.

Within the week Senator Barbour has issued a statement in which he said: "Any move to cut the present quota on Cuban sugar would undermine confidence of the peoples to the south of us as to our desire to cooperate with them in strengthening their own economic position."

Nevertheless the bill now before you for consideration, H. R. 9654, would continue a sugar control program in which Cuba automatically bears the burden of any further cut made in marketing quotas, leaving all the United States flag areas to reap any price advantage that might result from such a cut at no sacrifice to their marketing volume.

This is not a theoretical situation; it actually developed as recently as August 26 when the Department of Agriculture made a reduction of 136,383 tons in the consumption estimate, and this automatically cut the Cuban marketing quota by 113,121 tons, or 83 percent of the total reduction. The only United States flag area which participated in the cut was the Philippines where the reduction applied only against full-duty sugars which the Philippines have never put into our market during the 6 years that the sugar-control program has been in effect. In any revised legislation we urge that necessary reductions in quota be shared in non-discriminating proportions by all areas.

Sugar is the one commodity we can buy from Cuba with little dislocation of our farm economy and with definite benefit to the overwhelming majority of Americans as farmers, factory workers, businessmen, taxpayers, and consumers. This fact should not be ignored in any sugar legislation in these critical times.

The Cuban committee of the National Foreign Trade Council, Inc., believes that the most expedient thing to do at this time is to enact H. R. 9654 which will extend for 1 more year the Sugar Act of 1937.

At the same time we would urge upon your committee the importance of a thorough review and revision of our national sugar policy in terms of developments in the world at large and in the Western Hemisphere in particular, and we take this occasion to repeat again the importance of having the sugar policy of the United States studied by an impartial nonpolitical organization, as sugar is one of the important issues both in our internal economy and in our relations with Cuba, an essential link in our national defense.

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THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE,  
Washington, D. C., October 3, 1940.

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

MY DEAR SENATOR HARRISON: It is my understanding that hearings are now being held on H. R. 9654, a bill extending the Sugar Act of 1937. As you may be aware, the Division of Consumer Protection of the National Defense Advisory Commission is vitally concerned with the maintenance of standards of health, nutrition, physical fitness, and social well-being necessary for adequate defense. Human welfare is as important to the national defense as the manufacture of arms and the mobilization of material resources. I believe, therefore, that you may wish a statement of our views on sugar, a staple item in the diets of all income groups.

The maintenance of adequate sugar supplies for the needs of this country is of great importance in any program of total preparation and defense. The experience of the last war showed how essential sugar can be as a basic source of human energy, and the preservation of the morale of the people and fighting forces of this country.

The consumers of this country, under recent sugar legislation, have contributed in substantial manner to the well-being of the domestic sugar-producing areas.

I should be deeply concerned if an attempt were made to place any further limitations upon the establishment or allocation of the sugar-consumption quota for the American market in addition to those now in existence. The civilian aspect of total defense preparations might be jeopardized, particularly with respect to those low-income groups, for which sugar expenditures form an important part of the family budget outlay. The consumer-protection clauses of existing legislation have recognized that all interests must receive reasonable consideration in the orderly marketing of sugar in this country.

Any such legislation would also inevitably react to the detriment of Cuba. This would not only infringe upon the good-neighbor policy, but would perhaps affect adversely a source of supply of this vital commodity which may form a valuable reservoir in the event of need. As you may know, Cuban sugar production made an important contribution to this country's efforts in the last war. Finally, any further restriction on imports of Cuban sugar would contract further the markets of our agricultural and industrial surpluses.

I am sure you will agree that, considering all circumstances and interests involved, a strong case could be made against any changes in existing legislation which would make it more difficult to meet adequately the civilian requirements of this country; interfere with the total defense preparations of this country; adversely affect Cuban participation in the total sugar marketing of this country and so injure a potential emergency reservoir; and weaken the efforts of our Government to strengthen our economic relations with our Latin-American neighbors.

Sincerely yours,

HARRIET ELLIOTT,

*Member, Advisory Commission, Council of National Defense.*

(Prior to and during the course of the hearings, the committee received numerous letters, telegrams, and so forth, relative to the pending bill. They are as follows:)

UNITED STATES SENATE,  
Washington, D. C., September 23, 1940.

HON. PAT HARRISON,

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

MY DEAR SENATOR: I have been requested by the Secretary of the Bergen County Chamber of Commerce, Hackensack, N. J., to have placed in the hearings on H. R. 9654, the attached letter from this chamber. I shall greatly appreciate it if you can have this letter incorporated in the hearings.

With kind personal regards, believe me

Sincerely yours,

W. WARREN BARBOUR.

BERGEN COUNTY CHAMBER OF COMMERCE,  
Hackensack, N. J., September 20, 1940.

Senator W. WARREN BARBOUR,

*Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: I know from previous correspondence how thoroughly you are behind the H. R. 9654, which is a bill continuing the import sugar quotas from certain territorial possessions of the United States for 1 year. I had hoped to attend the hearing of the Senate Finance Committee on Tuesday next, September 24.

Unfortunately, I had a fall while playing golf with my good friend, Senator Edmund W. Wakelee, on Labor Day. As a result I fractured one of the bones in my right wrist. On account of this injury I shall not be able to attend this hearing and to speak personally on behalf of this legislation.

May I not, therefore, ask you to let this letter be read into the records at the hearing?

Thank you.

Yours very truly,

J. W. BINDER, *Secretary.*

STATEN ISLAND FEDERATION OF MOTHERS CLUBS,  
 Staten Island, N. Y., September 20, 1940.

SENATOR PAT HARRISON,  
 The Senate Finance Committee,  
 Senate Office Building, Washington, D. C.

DEAR SENATOR: For some time the women of Staten Island have become increasingly aware that as an important part of the New York Harbor and as consumers of sugar, they should be concerned about the fate of the cane-sugar-refining industry in New York.

The Staten Island Federation of Mothers Clubs has continually apprised the 34 affiliated clubs of the situation and urged each club to pass resolutions in favor of legislation which would protect the home refining industry and that these resolutions be sent to Congress requesting a limitation on the amount of tropical refined sugar that could come to this country. It has also asked that the beet-sugar industry be kept within its present limits. The women of Staten Island feel that consumers of sugar should not have to bear the burden of a heavily subsidized beet sugar industry, especially when it may mean an increase in unemployment in their communities.

I am enclosing copies of resolutions that have been passed in Staten Island and I respectfully request the Finance Committee to place my statement and these resolutions in the record when hearings are held on sugar legislation. We sincerely believe that there should be no changes made in the sugar bill, H. R. 9654.

Sincerely yours,

SARAH PRICE FOLEY.  
 (Mrs. Arthur Foley.)

BUSINESS AND PROFESSIONAL WOMEN'S CLUB OF STATEN ISLAND, N. Y.

Since New York Harbor is a large canesugar-refining center with plants at Long Island City, Brooklyn, and Edgewater, N. J., giving work to thousands of men and women who receive the high American wage, and

Since, this cane-sugar-refining industry gives employment indirectly to hundreds of other workers employed in the railroad and other supplying industries, and

Since, the Federal sugar legislation, which governs our entire American sugar system, expires this year, and

Since, cane-sugar producer-refiners in the tropics, and beet sugar producers at home who receive heavy subsidies from the American consumer, paid for partly through a sugar-sales tax, are attempting to increase their share in the American market at the expense of our home-refining industry, and

Since, our home refining industry receives no benefits of any kind under the Sugar Act, and cannot possibly compete with groups receiving large subsidies, cash and otherwise, therefore

The Business and Professional Women's Club of Staten Island at a meeting held March 19, decided to make the following requests:

First. That when Congress formulates sugar legislation this year, this legislation shall not result in a loss of jobs or loss of business for our home canesugar refining industry, and loss of jobs to our refining men and women, and

Second. That the Business and Professional Women's Club of Staten Island in passing this request endorses this method of maintaining home industry and home employment, and

Third. That copies of this request be sent to the congressional Representatives from New York City, to the two Senators from New York State, and to the Secretaries of Agriculture, Interior, State, and Commerce, respectively, in Washington, D. C.

Yours very truly,

THE BUSINESS AND PROFESSIONAL WOMEN'S CLUB  
 OF STATEN ISLAND,  
 By GRACE I. HALE, *Corresponding Secretary.*

MOTHERS CLUB, P. S. NO. 14, STAPLETON, STATEN ISLAND

Whereas the New York Harbor area is the largest cane sugar-refining center in the world, giving direct employment to over 4,000 men and women who are 100 percent unionized and receive the highest wage scale in the American sugar system, and

Whereas this industry and these jobs are threatened by the possibility of an unlimited inflow of tropical refined sugar from Cuba, and from the American

islands of Puerto Rico, Hawaii, and the Philippines, since the Federal Sugar Act, which now limits this inflow, expires this year, and

Whereas under the Sugar Act these tropical producer-refiners receive price benefits, and cash subsidies paid for by the American consumer, in part through a sugar sales tax, whereas our home refining industry receives no subsidies of any kind, and

Whereas the home refinery workers cannot compete with the tropical refiners who base their operations on cheap tropical labor; and

Whereas proper protection for the home refining industry does not result in higher prices to the consumer, nor does the consumer make any saving on the tropical refined sugar: Therefore be it

*Resolved*, That when Congress formulates new sugar legislation this year, it carry over into the new Sugar Act, the present limitation on the importation of tropical refined sugar (sec. 207, H. R. 7667), or that it provide for a similar limitation in the new act, in order that our home refining industry have some protection against subsidized competition; and be it

*Resolved*, That the Mothers Club of P. S. No. 14, of Staten Island, in passing this resolution, endorses this method of maintaining home industry and home employment; and be it further

*Resolved*, That copies of this resolution be sent to the congressional Representatives, to the two Senators from New York State, and to the Secretaries of Agriculture, Interior, State, and Commerce respectively in Washington, D. C.

ANNA JOHNSTON, *Secretary*.

Date passed, FEBRUARY 14, 1940.

"FLOWERS FOR THE FLOWERLESS,"  
Philadelphia, Pa., September 18, 1940.

DEAR SENATOR HARRISON: AS a woman active in many Philadelphia organizations, as president of the Security Councils of America, and as a member of the Committee for the Defense of Philadelphia's Cane Sugar Refining Industry, I hereby ask permission to insert the following statement in the record of sugar hearings to be held by your committee.

The Committee for the Defense of Philadelphia's Cane Sugar Refining Industry has a membership of about 125 men and women of note in Philadelphia. Its purpose has been stated to be "to advocate that Congress enact legislation in 1940 which will be fair and equitable to Philadelphia industry, workers and consumers."

The women of Philadelphia are particularly interested first in getting the best possible products available at the best possible price—and secondly we are interested in the labor conditions under which these products are made. We feel that the three large refineries here in Philadelphia are meeting these conditions.

Since they are meeting these conditions, it is extremely unfair, in our opinion, for Congress to impose further hardships on a home refining industry already suffering from business being taken away from it.

We have in Philadelphia three large refineries, employing around 3,000 people. These men and women receive a wage rate of about 65 cents per hour and are unionized. In the last 8 or 9 years, the Philadelphia industry has seen a decline in its business and many men and women have lost their jobs. If sugar legislation, which your committee is now discussing, does not give adequate treatment to this Philadelphia industry, the 3,000 workers, now employed, may very well lose their jobs.

As citizens, we feel it is our duty to do all we can to keep the sugar-refining industry in Philadelphia and to prevent further unemployment. We are willing to pay a one-half cent a pound tax on sugar, if it is for the general good of the Nation. But we are not willing to pay this tax and at the same time see our home industry decline. We are not willing to subsidize in this manner the tropical refiners of sugar, or the beet-sugar producers, if this subsidy will result in the gradual loss of our home industry to the consequent detriment of our community as a whole. We know that the loss of the refining industry will result in losses to allied industries and that the decrease in employment in all these industries will bring an increase in relief bills and taxes.

Many of our Philadelphia organizations have sent resolutions to Congress. I am enclosing a list of these, together with a copy of the resolution passed by my own group, Security Councils of America, and several others.

We earnestly hope that your committee will give due consideration to the views I have expressed for these organizations.

Respectfully submitted.

RUTH G. K. STRAWBRIDGE.

MARCH 6, 1940.

Whereas, Philadelphia is now suffering from high taxes and low wages and industrial incomes; and

Whereas a further loss of local industry will bring higher taxes, lower wages and incomes, and less community purchasing power; and

Whereas the local cane-sugar refining industry is now depressed by inequitable sugar legislation, and may very easily disappear in the future: Therefore be it

*Resolved*, That Congress, in 1940, pass no sugar legislation which will further depress this industry and thereby create more unemployment, more taxes, and more local distress.

RUTH G. K. STRAWBRIDGE.

#### THE SOROPTIMIST CLUB OF PHILADELPHIA

*Resolved*, That the legitimate interests of Philadelphia and the State of Pennsylvania require that no sugar legislation of any kind be enacted by Congress in 1940 unless that legislation provides that there be no further reduction in the volume of business done by the depressed cane-sugar refining industry in Philadelphia and other American cities.

The above resolution passed at the regular monthly business meeting of the Soroptimist Club of Philadelphia, Wednesday, March 13, 1940.

SOPHIA BLIVEN, *President*.

ROSE F. KOCH, *Recording Secretary*.

#### PHILADELPHIA TEACHERS ASSOCIATION, Philadelphia, Pa.

Inasmuch as the cane-sugar refineries located in the city of Philadelphia have been of vital importance to the economic life of the city for over 150 years and pays at the present time \$3,100,000 annually in pay rolls, about \$300,000 annually in local taxes and water fees and over \$3,500,000 worth of supplies annually; and

Inasmuch as this industry is now severely depressed, largely because of inequitable and unfair Federal sugar legislation since 1934; and

Inasmuch as Federal sugar legislation is now being considered by Congress: Therefore be it

*Resolved*, That no sugar legislation be enacted in 1940 by Congress which will tend to further depress the local industry; and be it further

*Resolved*, That a copy of this resolution be sent to the Pennsylvania delegates in Congress, our two Senators, and to the Secretaries of Agriculture, Interior, State, and Commerce, as well as to the President of the United States.

MILTON O. PEARCE, *President*.

#### *Resolutions received from the women's organizations*

Name of organization:	Date passed
Beta Upsilon Sigma Sorority.....	Mar. 21, 1940
Elizabeth J. Burt Rebekah Lodge, I. O. O. F., No. 17.....	Mar. 20, 1940
Genevieve Rebekah Lodge, I. O. O. F., No. 195.....	Mar. 26, 1940
Joan Rebekah Lodge, I. O. O. F., No. 406.....	Mar. 21, 1940
Lizzette Rowe Rebekah Lodge, I. O. O. F., No. 167.....	Mar. 23, 1940
Junior Woman's Club of Collingswood, N. J.....	Apr. 8, 1940
Ladies Aid Society of St. Thomas.....	Apr. 4, 1940
Philadelphia Credit Women's Club.....	Mar. 15, 1940
The Soroptimist Club of Philadelphia.....	Mar. 13, 1940
The Women's Community Club of Ashland, N. J.....	Apr. 3, 1940
The Women's Traffic Club of Philadelphia.....	Apr. 5, 1940
Investment Women's Club of Philadelphia.....	Apr. 1, 1940
Quaker City Ladies' Motor Club.....	
The Venture Club of Philadelphia.....	May 13, 1940
Philadelphia County Federation of Women's Clubs.....	Apr. 15, 1940
Flowers for the Flowerless.....	Mar. 6, 1940

*Resolutions received from the women's organizations—Continued*

Name of organization—Continued.	Date passed
Women's Club of Germantown.....	Apr. 1, 1940
Philadelphia County Council Ladies' Auxiliaries of the Veterans of Foreign Wars of the United States.	
Hotel Greeters of America.	
Women's Radio Club.....	Mar. 13, 1940
Ladies' Auxiliary Brotherhood of Railroad Trainmen.....	Feb. 27, 1940
Business & Professional Women's Club.....	Mar. 28, 1940
Marion Rebekah Lodge, I. O. O. F. No. 47.....	Apr. 16, 1940
Lady Mystic Rebekah Lodge, No. 141, I. O. O. F.....	Mar. 29, 1940
Ladies' Aid Society of St. Thomas Evangelical Lutheran Church.....	Apr. 3, 1940
St. Martha's Domestic Circle.....	Apr. 5, 1940
Ladies' Auxiliary, Associated Polish Home.....	Mar. 4, 1940

BROOKLYN, N. Y., *September 23, 1940.*

HON. PAT HARRISON,

*Finance Committee, United States Senate, Washington, D. C.*

As President of the Borough of Brooklyn, heart of United States sugar-refining industry, I respectfully call attention to H. R. 9654 now before your committee for consideration. The bill in its amended form restores the quota limitations which previously existed under the Sugar Acts of 1934 and 1937. This, as you know, will prevent any additional curtailment of our already hard-hit local refining industry. The business and civic interests of Brooklyn and the thousands earning a livelihood directly or indirectly through this industry have designated me to speak for them and to urge that your committee favorably report this bill as amended. The continuation of quota limitations is so economically essential that without them a major New York industry would decline almost to the point of vanishing with its subsequent loss of employment to thousands and the material decline in community purchasing power. Our wage and living standards make it impossible for American labor to compete with labor in Puerto Rico, Hawaii, and other tropical sugar-producing and refining countries.

JOHN CASHMORE,

*President, Borough of Brooklyn.*

[Telegram]

BROOKLYN, N. Y., *September 23, 1940.*

HON. PAT HARRISON,

*Room 310, Senate Office Building, Washington, D. C.:*

Two thousand three hundred cane-sugar refinery workers urge your support in committee of sugar bill, H. R. 9654, on which we understand hearings are scheduled for Tuesday or Wednesday, we ask for passage of this bill by the Senate in same form in which it passed House on June 20. Our jobs and securities depend on retaining limitations on Hawaiian and Puerto Rican refined sugar with no increase in beet-sugar quotas.

SUGAR REFINERY WORKERS, LOCAL 1476, I. L. A.,

*371 Fulton Street, Brooklyn.*

EDNA M. GERAGHTY, *Secretary-treasurer.*

[Telegram]

BROOKLYN, N. Y., *October 3, 1940.*

HON. PAT HARRISON,

*Chairman, Finance Committee,*

*United States Senate, Washington, D. C.:*

The Brooklyn Chamber of Commerce desires to submit the following statement for the record in the matter of H. R. 9654, a bill to stabilize sugar quota control now being heard before your honorable committee.

The chamber through its membership represents the business, commercial, and financial interests of the borough of Brooklyn, which is the largest borough of the city of New York and the most important commercially. Its waterfront accommodates the shipping that handles the preponderance of the freight of the port of New York.

One of the most important industries in Brooklyn is the sugar-refining industry. This industry has been located in Brooklyn for a very long time; in fact as long ago as 100 years Brooklyn was an important cane-sugar refining point. At present the cane-sugar refineries represent an investment of between \$20,000,000 and \$25,000,000 and give employment to thousands of our citizens.

A very heavy tonnage to and from these refineries, both in-bound and out-bound, utilizes the waterfront of Brooklyn. It has been estimated that about 100 ships each year dock in Brooklyn to supply these refineries with raw sugar alone. It is therefore fair to add to the employees mentioned which are active directly in the refining of this sugar the marine workers, stevedores, warehousemen, samplers, weighers, and others whose business is the handling of the sugar and supplies to these refineries. This would add additional hundreds to the direct employees.

The sugar-refining industry has suffered a decline beginning about 1925. By the year 1939 business had fallen off about 40 percent. This decline was largely traceable to Federal sugar legislation which was favorable to other sugar areas and groups. It was about this time that the beet-sugar industry began its phenomenal growth, and by 1939 it had increased by about the same percentage as Brooklyn sugar industries had decreased. In addition to this, large quantities of offshore refined sugar came into the continental United States.

The markets ordinarily served by Brooklyn refineries were seriously disrupted by this sugar and a large amount of unemployment in the industry has resulted. The entire borough has suffered. In 1934 and 1937 Congress enacted the sugar quota laws. The law now in effect fixes a processing tax on sugar refined in Brooklyn, the proceeds of which are used as a subsidy to the sugar-beet producer. This subsidy has served to increase the cost of sugar to the consumer. While this seems obviously inequitable it is not our intention at this time to oppose the provision.

Our position is that without sugar-quota protection Brooklyn sugar-refining industries cannot survive and the impact of their collapse would have serious repercussions in the entire business structure of the country. There is no logical doubt that under no circumstances should there be legislation enacted in 1940 which would further depress or threaten this industry. Brooklyn like all other large cities has a very acute unemployment problem. This unemployment has resulted in heavy tax burdens and has disturbed the real-estate market very seriously. It would be a serious blow to the public interest and one for which no Congress would care to admit responsibility if the present protection afforded this industry by law were withdrawn or impaired.

We, therefore, urge upon your honorable committee a favorable report on the protective legislation now being considered by you.

Respectfully submitted.

A. C. WELSH,  
*Brooklyn Chamber of Commerce.*

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SOUTHEASTERN MONTANA COUNTIES ASSOCIATION,  
*Miles City, Mont., August 1, 1940.*

Senator D. WORTH CLARK,  
*Washington, D. C.*

DEAR SENATOR CLARK: Knowing of your interest in the agricultural area, we are mailing you copy of a resolution, which we trust you will see is presented before the Senate Finance Committee, who are holding a hearing on the sugar legislation very shortly.

This association is composed of farmers and ranchers and individuals of this area and represents 20 percent of the population, 25 percent of the area, and 27 percent of the assessed valuation of Montana, and an orderly expansion of the sugar-beet industry is most essential to our very existence.

We shall appreciate everything you may see fit to do to the end that the American market may be saved for the American grower, especially in a nonsurplus crop.

Respectfully yours,

E. B. WINTER, *Secretary.*

#### STATEMENT OF FACTS

When Mr. Carl Herzog, whom the Southeastern Montana Counties Association sent to Washington early last spring, returned, we were convinced beyond any doubt whatever that if this area, representing 20 percent of the population, 25 percent of the area, and 27 percent of the assessed valuation of Montana, or



any other area desiring to grow additional acreage of sugar beets, was to receive any consideration, a strong and effective organization would be necessary.

The cane growers of Louisiana and Florida have their organizations.

Representatives of Puerto Rico, the Philippine and Hawaiian Islands are constantly on hand.

The coastal refiners have their council.

Cuban interests are represented by the Foreign Trades Council.

The eastern beet growers of Michigan, Indiana, and Ohio have an association.

Beet-sugar processors have their official representatives.

Growers of beets in Western States are represented by the National Beet Growers Association.

Representatives of American Federation of Labor and Congress of Industrial Organizations are on guard to see that labor interests are protected.

Consumers are represented by American University Women and other consumer organizations.

Therefore, prospective growers and those desiring additional acreage should be represented as effectively as possible at Washington.

Last fall at Denver the Western Beet Growers Association, which was organized through volunteered effort and the contributions of a few organizations, scoured and presented testimony at sugar hearings in support of legislation to give a larger share of the American sugar market to beet growers of the West. The Agricultural Committee of the House has not agreed upon a new sugar bill. A resolution continuing the present law 1 year has passed the House and is now before the Senate committee, giving time for considered action by the next Congress. If the bill continuing the present law does not pass, sugar interests will face a serious situation January 1, 1941.

We believe that it is not only essential and vital but most necessary that all beet growers of this area and the State of Montana work as one unit through the Western Beet Growers Association. We feel that every beet grower in this area should affiliate with the Western Beet Growers, who are working hand in hand with the National Beet Growers Association, and be represented at the national convention at Great Falls on September 23, 1940, and that this association appoint delegates to that convention and that we contribute financially.

The present condition of industry in our large urban areas has resulted in a damming up on the farms of many families that ordinarily would have migrated to the cities in response to economic opportunities opened up there by industrial expansion and development. The large number of unemployed in the United States has created a situation necessitating Government action to provide economic opportunities for stranded and migratory families who have been unable by their own efforts to fit into our modern industrial life.

Millions which have been spent for direct emergency relief have not, at the end of 6 or 8 years, created any additional wealth or any continuing means of self-support for the individuals receiving such direct relief.

This situation has given rise to a feeling that a considerable outlay by the Government is desirable to establish producing farm units which will give the individuals settled on such units a continuing means of self-support.

In this connection, irrigation development has played a particularly important part in the northern Great Plains, and especially in Montana, where there are irrigable waters to develop and where drought conditions of recent years have made it impossible for farmers to succeed under dry-land conditions or for ranchers to operate satisfactorily without some stabilizing feed reserves such as irrigated hay bottoms and supplementary feed production.

For the most part, irrigation development has been undertaken by State and Federal agencies on a basis where farmers who are to operate such irrigated lands are required to pay the major share of the construction and development costs. In view of our present relief and unemployment conditions such projects have been considered economically sound and desirable, but it is essential that some profitable cash crop such as sugar beets, a non-surplus crop, be produced if farmers are to meet promptly and fully such charges against the land.

Sugar beets are one of the few cash crops. The byproducts from sugar beet production—sugar-beet pulp, molasses, and sugar-beet tops—are excellent livestock feeds and fit into the program for stabilizing the range livestock industry in this State very effectively.

Sugar beets are a row crop which, in proper rotation, constitute an additional means of effectively controlling weeds and related tillage problems on irrigated lands.

## RESOLUTION

Therefore be it resolved by the Southeastern Montana Counties Association in their regular monthly meeting held July 26 at Miles City, Mont. that we must have an orderly expansion of acreage which will permit farmers desirous of engaging in the growing of sugar beets, a nonsurplus crop, to raise such acreage as will permit a fair return.

Foreign quotas may have to be reduced, but we are firm in our conviction that American markets belong to American farmers first and that the high standard of living of our people must be maintained. This expansion to be for the benefit of the small family farmer—not for the corporate farmer—and without any undue cost to the consumer.

The price of sugar has been generally unsatisfactory since passage of the Sugar Act of 1937 and levels of the last few years have been so far below parity price as to work a great injustice to producers and processors alike. We protest the administration of the Sugar Act which has resulted in this situation. We condemn the practice of permitting such imports of offshore sugar as have resulted in a constantly demoralized sugar market. The return to the grower must be sufficient to cover his costs of operation, plus a reasonable profit on his land and labor investment and we insist that new legislation give full consideration to raising present prices.

Because of the fact that the continental United States imports two-thirds of its national sugar needs, it is obvious that our country is extremely vulnerable from a national-defense standpoint and in view of the present world condition, our Government should immediately recognize this situation and take steps to strengthen our position by allowing the continental sugar industry to become established wherever agricultural conditions will permit.

This association joins hands in cooperating wholeheartedly with the Western Beet Growers Association, the National Beet Growers Association, the Montanans, Inc., and other State-wide organizations in the attempt to expedite the fulfillment of the foregoing resolution, and its officers are hereby ordered and instructed to take all necessary steps to bring this about.

## CERTIFICATE

I, E. B. Winter, the duly elected, legally qualified, and acting secretary of the Southeastern Montana Counties Association, do hereby certify that the foregoing statement of facts and resolution was read and referred to the committee and presented to the body and discussed, considered, and debated by the members of the Southeastern Montana Counties Association in the open, regular monthly meeting held at Miles City, Mont., the 26th day of July 1940, at which there were 317 members present, and upon motion for adoption from the floor, which was duly seconded, it was unanimously adopted and ordered spread at length upon the minutes of said meeting and that the Secretary mail copies to all interested parties.

Dated at Miles City, Mont., this 26th day of July 1940.

E. B. WINTER, *Secretary.*

NEW YORK STATE FOOD MERCHANTS' ASSOCIATION, INC.,  
*Syracuse, N. Y., August 7, 1940.*

The Honorable Senator PAT HARRISON,  
*Washington, D. C.*

MY DEAR SENATOR: As chairman of the Senate Finance Committee, we feel that you would like to know the attitude of the New York grocers concerning the sugar bill of 1940, known as H. R. 9654.

In the public hearings soon to be conducted regarding this piece of legislation, we wish that you would enter into the records the enclosed resolution which was adopted today at the thirty-ninth annual convention of our association.

Respectfully yours,

JNO. F. MURRAY,  
(John F. Murray),  
*Secretary-Manager.*

## RESOLUTION No. 2

Whereas the State of New York is the largest center of cane-sugar refining in the United States; and

Whereas there are thousands of grocers in this State who handle the sugar refined by home-refinery workers, thereby providing employment in the allied manufacturing, transportation, and distribution industries; and

Whereas the sugar-refining industry in the State of New York and other States is controlled by national sugar legislation: Therefore be it

*Resolved*, That the New York State Food Merchants Association goes on record favoring the passage by the Senate of the sugar bill of 1940, H. R. 9654, so long as that bill is not amended to bring about either an increase in the amount of refining in the tropics or in beet-sugar refining; and be it further

*Resolved*, That copies of the resolution be sent to the President of the United States, the Secretary of Agriculture, the chairman of the Senate Finance Committee, and the Senators from the State of New York.

NATIONAL COUNCIL OF NEGRO WOMEN OF THE UNITED STATES, INC.,  
New York City, August 8, 1940.

Senator PAT HARRISON,

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

HONORABLE SIR: The colored workers and others in the cane-sugar refineries in and around New York City are confronted with the problem of obtaining a sufficient amount of work from week to week in order to maintain their families on an American standard of living.

As executive secretary of one of the largest colored-women's organizations, the National Council of Negro Women, I have become interested in this matter, and I would greatly appreciate it if your committee will make the following views a part of the record of the sugar hearings.

I have been aware for some time that many colored people were employed in sugar refineries located in about 9 or 10 States, but when I discovered that these men were losing working time to sugar refineries in the tropics and to beet-sugar refineries, I wondered whether this condition was one which we had to put up with, or whether there was something that could be done about it.

The colored people who are employed in the sugar-refining industry have made great strides in some respects. There are about 4,000 employed in the industry, and those 4,000 support 16,000 persons in their families. These workers are not discriminated against in any way, they receive equal treatment, rates of pay, and chances of promotion. They receive a good daily wage when they work, but, unfortunately, they and other refinery workers do not get a sufficient number of hours of work per week or per month to obtain security for their families.

These workers have lost a great amount of work each year, because sugar refined in the Tropics by unorganized native labor is allowed to come into the United States and be unloaded next to the refineries employing American workman. This condition seems particularly unfair to the workers themselves when they already know and feel the results of the loss of work represented by those cargoes.

The sugar problem seems very difficult for me to understand, particularly when I try to analyze it from the standpoint of the person like myself who consumes sugar. When we buy sugar, as your committee well knows, the consumer is paying a tax on the sugar. This tax is a large tax of a half a cent a pound, and the only reason that I can see which would justify the tax is that it provides control, which is advantageous to the consumer and the sugar industry alike. When I hear, therefore, that the workers in the sugar-refining industry in New York and other States have been losing work while other workers in other parts of the sugar industry are gaining, I am at a loss to understand the situation. I know that the workers in the cane-sugar-refining industry in New York receive none of the taxes paid, and I know that the industry receives none of those taxes. I understand people in other parts of the sugar industry do receive benefits from these taxes. It does not seem fair to me for consumers in a State like New York to pay taxes which benefit only small groups outside of the State when those benefits in reality cause workers in the State of New York to lose time or even their jobs.

The members of the National Council of Negro Women are well aware of the above facts, and resolutions have been passed by some of our branch organizations, such as the New York City Council of Negro Women. Therefore these views which I have given you are indicative of the feeling of a large group of our colored population.

Your problem must be a difficult one, but I hope that you will do everything you can to preserve the jobs of the colored sugar-refinery workers.

Respectfully yours,

CARITA V. ROANE, *Executive Secretary.*

MARYLAND FEDERATION OF WOMEN'S CLUBS,  
*Salisbury.*

Senator PAT HARRISON,  
*Chairman Senate Finance Committee,*  
*Washington, D. C.*

HONORABLE SIR: I am the legislative chairman of the Maryland Federation of Women's Clubs, which has a membership of about 20,000 women. I am a member as well of the Non-Partisan Committee for the Defense of Baltimore's Cane Sugar Refining Industry and legislative chairman of the American Homemakers' Association. I hereby ask permission to insert this statement in the record of the hearings on sugar held by the Senate Finance Committee. The people of Baltimore and Maryland have become particularly conscious today of our great industries and of the fact that we have here one of the most efficient and up-to-date sugar-refining plants in the country. This plant gives work to hundreds of men and women, who receive a wage which is one of the highest of any food industry in the country.

The workers in these plants have seen their own business and their own jobs disappear as a result of the importation of tropical refined sugar. Now they are beginning to feel what would happen to them if the beet-sugar industry took away most of their work.

Men and women in Baltimore realize that any rise in unemployment would cost more in relief. However, we are concerned also from another point of view. If the beet-sugar industry increases in size, there will be an increase in the cost of sugar to the country. We feel that we should not be asked to finance a still greater subsidy to the beet-sugar farmer, particularly when we shall be putting our own men and women out of work.

This year the members of the Non-Partisan Committee for the Defense of Baltimore's Cane Sugar Refining Industry have been particularly concerned about this local and national industry, and we were very interested to hear that the House of Representatives passed H. R. 9654, with an amendment controlling the amount of refined sugar coming in from our tropical islands.

We wish to report to your committee that we are in favor of that bill the way it stands. Any changes which would increase the beet-sugar quota, or the quotas on refined sugar from the Tropics, would be clearly against the interests of Maryland's industry, workers, and consumers.

Other organizations in Baltimore and Maryland have gone on record in favor of protection of the home refining industry. Please find enclosed a list of these, together with a copy of the resolution passed in convention by the Maryland Federation of Women's Clubs, and copies of other resolutions.

Thanking you for permission to make this statement, I am,

Very truly yours,

JANE SCOTT GABRIEL  
(Mrs. Calvin Gabriel.)

*List of women's clubs in Baltimore and Maryland passing resolutions on sugar, also approximate membership of each*

Maryland Federation of Women's Clubs.....	12,000
American Homemakers Association.....	200
Baltimore & Ohio Veterans Auxillary.....	150
Baltimore Federation of Republican Women.....	500
Cadoa Club.....	300
Federation of Republican Women of Dundalk.....	200
Housewives Alliance.....	150
Quota Club.....	75
Scroptomist Club.....	100
Veterans of Foreign Wars Auxillary of Maryland.....	4,000
Women's City Club (petition).....	25
Women of the Moose, Baltimore Chapter.....	1,500
Women's Traffic and Transportation Club.....	250
Total.....	19,350

The following resolution was passed by the board of directors of the Maryland Federation of Women's Clubs on February 20, 1940, and then at the State convention was passed by the delegated body on April 25, 1940:

*Be it resolved*, That the Maryland Federation of Women's Clubs go on record as opposing any Federal sugar legislation in 1940 not fair and equitable to Maryland workers and consumers which will bring about a reduction in the amount of cane-sugar refining done in Maryland by permitting the expansion of the subsidized tropical refiners or the subsidized beet-sugar industry or both.

*Be it further resolved*, That copies of the resolution be sent to the congressional representatives from Maryland, to the two Senators from Maryland, and to the Secretaries of Commerce, State, Agriculture, and Interior in Washington, D. C.

RUTH K. HARCUM

(Mrs. Harry L. Harcum),

*President-Director, Maryland Federation of Women's Clubs.*

DOROTHY D. COTTMAN

(Mrs. Harry T. Cottman, Jr.),

*Corresponding Secretary, Maryland Federation of Women's Clubs.*

WAREHOUSEMEN'S ASSOCIATION OF THE PORT OF NEW YORK, INC.,

*New York, N. Y., September 20, 1940.*

SENATE FINANCE COMMITTEE,

*Senate Building, Washington, D. C.*

GENTLEMEN: Early this year it came to the attention of the Warehousemen's Association of the Port of New York, Inc., that trade in one of the largest items handled in the port has suffered serious declines in recent years. This item of trade affects not only shipping concerns but longshoremen, lightermen, warehousemen, and workers who handle and process the commodity in this area. We are, of course, referring to the tremendous volume of trade which is carried on in cane sugar and in the refining and distributing of that sugar throughout the eastern seaboard.

A study made by our association indicated that the yearly volume of business in raw cane sugar alone has declined nearly 33 percent in the last 15 years. This difference has been due to what must be regarded as Federal legislation unfair to the port of New York. This has resulted in a decrease in refining, involving an immense loss in wages to labor.

One of the outstanding contributing factors to the decline of cane-sugar trade in New York in recent years has been the consistent expansion of the subsidized beet-sugar industry under Federal legislation. This has happened under legislation which was written to stabilize production to a large extent.

Subsequent to our investigation of this problem, our association on February 15, 1940, adopted a resolution, a copy of which is attached, stating in part:

*Resolved*, That the Warehousemen's Association of the Port of New York \* \* \* be recorded in opposition to any further reduction in the quota of cane sugar to be permitted entry into the United States \* \* \*"

Speaking in the interest of our membership in this problem of Federal legislation, we respectfully submit the above-named resolution as a record of our views in the matter. The sugar bill now before your committee, H. R. 9654, appears consistent with our views respecting legislation necessary at the present time.

Very truly yours,

F. T. LEAHY,

*Executive Vice President.*

Whereas there is at present under discussion in the Congress of the United States the question of Federal sugar legislation which may result in a further reduction in the amount of cane sugar which enters the ports of the United States; and

Whereas since 1925 the port of New York has received and refined 22,068,433 tons of raw cane sugar; and

Whereas if the port of New York had maintained its fair share of the total American market it would have received and refined 31,334,087 tons, a loss of 8,365,654 tons; and

Whereas this difference has been due to what must be regarded as Federal legislation unfair to the port of New York, resulting in decrease in refining, involving an immense loss in wages to labor, supplies, water, power, and a decrease in the value of overseas trade, in ships unloaded, loss in ocean freight, railroad shipments

and warehousing in an amount aggregating many millions of dollars: Therefore be it

*Resolved*, That the Warehousemen's Association of the port of New York, comprising the water front and inland merchandise warehouses, representing an industry directly associated with and constituting an important link in the chain of commerce which is and has been materially and adversely affected by such Federal sugar legislation, be recorded in opposition to any further reduction in the quota of cane sugar to be permitted entry into the United States, and that a copy of this resolution be sent to the President of the United States, Members of Congress, and to other interested Government officials and to the press.

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JOINT COMMITTEE TO PROTECT JOBS IN THE  
NEW JERSEY CANE SUGAR REFINING INDUSTRY,  
*Edgewater, N. J., September 20, 1940.*

Senator PAT HARRISON,  
*Chairman, Senate Finance Committee, Washington, D. C.*

MY DEAR SENATOR HARRISON: The 1,200 employees of the Edgewater sugar refinery whom this committee represents are genuinely concerned about the present status of Federal sugar legislation. During the past 12 months they had occasion to witness what the uncontrolled importation of refined sugar from the tropics can do in the way of undermining industry and curtailing pay rolls because of the quota restrictions on imports on tropical refined sugar were first lifted by Presidential proclamation on September 11, 1939, and again by statutory limitation on March 1, 1940.

A 32-hour workweek has been the rule since September 1939. Pay rolls have dropped correspondingly. Annual earnings per employee have gone decidedly below the level set by the United States Department of Labor as a bare maintenance level. An official of the National Sugar Refining Co., owners and operators of the Edgewater plant, stated at a conference called by the Port of New York Authority, that the pay roll losses experienced during the years 1929-39 amounted to \$8,000,000, in other words, to four full yearly pay rolls at the present level of \$2,000,000 per year. The losses to business and manufacturing concerns supplying the refinery with materials other than raw sugar, have been in proportion, easily equaling the pay roll losses.

H. R. 9654 as passed by the House of Representatives on June 20, 1940, assures us, the workers in the continental cane-sugar-refining industry, at least some protection against further inroads by tropical refiners. The workers in this old continental industry should not be forced to compete with the substandard wage levels and working conditions of the tropics. The happenings of the past 12 months have already created precarious conditions among the 18,000 employees of our refinery and others; relief from these conditions can only be had by congressional action.

We therefore ask the Senate Finance Committee to recommend to the Senate the passage of H. R. 9654 without any changes or amendments. We also request that this letter be included in the record of the hearing on this bill.

Respectfully yours,

O. V. BURLINGAME, *Chairman.*  
A. LESSER, *Co-chairman.*

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THE COMMITTEE FOR THE DEFENSE OF PHILADELPHIA'S  
CANE SUGAR REFINING INDUSTRY,  
*Philadelphia, Pa., September 20, 1940.*

Senator PAT HARRISON,  
*Chairman, Senate Finance Committee,*  
*Washington, D. C.*

DEAR SENATOR HARRISON: The Committee for the Defense of Philadelphia's Cane Sugar Refining Industry was established last year at the invitation of the mayor of Philadelphia, for the purpose of explaining the stake which the city of Philadelphia has in sugar legislation. Along with this program the committee has repeatedly taken the stand that any new sugar legislation during this year or next should contain provisions which would be fair and equitable to Philadelphia industry, workers, and consumers, as well as other groups directly affected by sugar legislation.

Sugar refining is one of the largest industries in the city of Philadelphia. In recent years this industry has suffered serious losses in its volume of business and employment because of the importation of tropical refined sugar. Unless the Senate continues the limitations upon the importation of tropical refined sugar, as set forth in the sugar bill referred to your committee (H. R. 9654), there will be an additional loss in the volume of sugar refining done in this city.

There is another phase of this legislation to which we should like to call your attention. There is evidence that the beet-sugar industry is attempting to increase its volume under the quota system. This is against all of the principles upon which the establishment of the quota system was based. Such an increase would mean more subsidies to be paid by consumers and would result in the crippling of the raw-sugar industry, the only source of raw material for our Philadelphia refineries.

If the highly subsidized beet-sugar producers are permitted to expand their production at the expense of the Philadelphia sugar industry then that would be just as unfair as permitting highly subsidized Puerto Rican and Hawaiian producers to ship sugar here in refined form without restriction. Either of these conditions, if permitted, would take away the jobs of men and women long employed in our local cane-sugar refineries.

This committee wishes to go on record with the Senate Finance Committee and make the statement that, in its opinion, the sugar bill, H. R. 9654, should be approved in the form in which it was introduced into the Senate.

Respectfully yours,

THE COMMITTEE FOR THE DEFENSE OF PHILADELPHIA'S  
CANE SUGAR REFINING INDUSTRY,  
A. R. PEIFER, *Director*.

THE PORT OF NEW YORK AUTHORITY,  
*New York, September 23, 1940.*

HON. PAT HARRISON,  
*Chairman, Senate Committee on Finance,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR HARRISON: We are informed that H. R. 9654, relating to the continuance for another year of existing Sugar quotas, is scheduled for early hearing by your committee. May we express the hope that his legislation, as passed by the House, will be favorably reported and may we further submit to you for the consideration of yourself and the committee, the position of the port of New York as it relates to the sugar question.

As you know, sugar refining is a major port industry which directly affects employment and commercial prosperity in a number of Atlantic and Gulf ports. The sugar-refining industry in New York Harbor alone represents an investment of about \$40,000,000 and furnishes direct employment to more than 4,000 sugar-refinery workers in addition to longshore, warehouse, lighter, and truck labor.

We have devoted considerable study to the problems of this industry as they affect both the port and the national economy. This spring there was held in our offices a port-wide conference attended by representatives of transportation, warehousing, refining, and handling services in all sections of the district and representatives of the American Federation of Labor and the Congress of Industrial Organization. As a result of the data submitted at this conference, as well as our independent investigation of the facts, we are convinced that the best interests of our community as a whole will be served by continuing for another year the existing sugar quotas as specified in H. R. 9654. We would at this time be opposed to any revision of the limitation on tropical refined sugar imports or to any increase in the existing beet-sugar quotas. The facts would seem to clearly indicate that any such changes would have a damaging effect, not only upon commerce and employment at this port but on the national economy as well.

May we therefore urge that H. R. 9654, as enacted by the House, receive the favorable consideration of your committee and respectfully request that this communication be made a part of the record of the hearings held on this legislation.

Very truly yours,

JOHN E. RAMSEY,  
*General Manager.*

EMPLOYEES' COMMITTEE TO MAINTAIN BROOKLYN'S  
CANE SUGAR REFINING INDUSTRY,  
Brooklyn, N. Y., September 23, 1940.

SENATOR PAT HARRISON,  
*Chairman, Senate Finance Committee, Washington, D. C.*

DEAR SENATOR HARRISON: New York is the largest cane-sugar refining State in the Union and refining has taken place here for over 250 years. In the port of New York the industry normally gives employment to some 5,000 men but in recent years this figure has decreased considerably. The men and women now working in the New York refineries work only 3 or 4 days a week and it is impossible for them to give their families a decent American standard of living under these conditions.

Since 1925, New York has lost approximately 40 percent of its sugar industry. This decrease in business has not only cut employment in the refineries but it has also meant that jobs have been lost at the waterfront in the unloading of raw sugar from ocean vessels. In short, this drastic reduction in refining has affected sailors, stevedores, lightermen, weighers, checkers, refinery workers, etc., in the great port of New York; and this has happened in overseas sugar which is the second most important commodity in the port of New York both as measured by weight and value.

New York's cane-sugar refining industry has declined for two reasons: First, because after 1925 refining by cheap labor on the sugar plantations in the tropics began in Cuba, Hawaii, Puerto Rico, and the Philippines. Secondly, in recent years the beet-sugar industry has grown rapidly in the making of refined sugar to displace our product.

On June 20 of this year, the House of Representatives decided to extend the Sugar Act for 1 year and by an overwhelming vote (134 to 20) decided that there should be no increase in the quotas assigned to the tropical refiners. It also decided that there should be no increase in quotas for beet-sugar refiners. It is in the interest of the New York cane-sugar refining industry and the workers in it that there be no expansion of the quotas for the tropical refiners or the beet-sugar industry.

We employees do not advocate a quota system for sugar but if there is to be a quota system, we request that we be given a "break" in it.

With the introduction of sugar legislation in Congress several months ago, we have found many organizations and individuals supporting us in the proposition that if there is going to be sugar legislation this year, it should not contain provisions which would reduce the volume of cane-sugar refining in New York and other States. A partial list follows:

First is labor: The New York bodies of the Congress of Industrial Organizations, the American Federation of Labor, the International Longshoremen's Association, and the Brotherhood of Railroad Trainmen are on record as 100 percent opposed to any further decrease in New York's sugar-refining industry.

Secondly, look at the maritime interests of New York: We find the Port of New York Authority, the Maritime Association of the Port of New York, the Harbor Carriers of the Port of New York, and the Warehousemen's Association of the Port of New York, Inc., are on record in our favor.

The chambers of commerce, including those from Brooklyn, Queens, and Yonkers are on our side.

Business organizations such as the New York Board of Trade, the Merchants' Association of New York, have also joined with us.

Women, as citizens and consumers, have an interest in this problem. We find such well-known organizations as the New York City Federation of Women's Clubs, the Long Island Federation of Women's Clubs, and the civic group, the Community Councils of the City of New York behind us.

There are a considerable number of colored workers in our plants and many colored organizations in New York who have taken a deep interest in this problem.

Finally, we wish to point out that our committee has had the full support of Borough President Cashmore in its efforts. In the last month we have gained valuable additional assistance. Gov. Herbert H. Lehman has given us his whole-hearted support.

This committee wishes to place the above statement in the record and urge the passage of H. R. 9654 in its present form only, i. e., without any amendment which would reduce the volume of cane-sugar refining in New York and other States.

Respectfully yours,

WILLIAM P. COSTER,  
*Chairman, Employees' Committee to Maintain Brooklyn's Cane Sugar  
Refining Industry.*



THE NON-PARTISAN COMMITTEE  
FOR THE DEFENSE OF BALTIMORE'S  
CANE SUGAR REFINING INDUSTRY,  
Baltimore, Md., September 23, 1940.

HON. PAT HARRISON,  
*Chairman, Senate Finance Committee, Washington, D. C.*

DEAR SENATOR: The Committee for the Defense of Baltimore's Cane Sugar Refining Industry was organized following a mass meeting of the leading citizens of Baltimore in the mayor's office on January 5, 1940. These citizens, representing every walk of life in Baltimore, vigorously oppose the enactment of any sugar legislation which would reduce the volume of business and employment in the local cane sugar-refining industry.

The sugar bill, H. R. 9654, which is now before your committee, would maintain the status of the quotas for 1 year on both raw and refined sugar as originally provided for by your committee and Congress in September 1937. Our committee respectfully urges that H. R. 9654 be enacted in its present form or that legislation be postponed until 1941.

An inspection of the names of the members of our committee reveals the varying interests that Baltimore has in the sugar problem. First, organized labor--the American Federation of Labor, the Congress of Industrial Organizations, the Railroad Brotherhoods, the Railroad Clerks, the International Longshoremen's Association, and other outstanding groups-- does not want to see any decrease in employment in this community. Second, the transportation agencies of this port are opposed to any reduction in local refining because the receipt of raw sugar from overseas and its subsequent distribution in a refined form--by rail, water and truck-- creates an income for these agencies running into the hundreds of thousands of dollars each year.

Third, persons connected with the local wholesale and retail trade of this city are members of our committee because it is obvious to them that if there is a decrease in Baltimore's sugar business, there will be less employment and, hence, less money through which goods may be purchased.

Fourth, is the distributors of grocery and food products. These food distributors are in favor of the maintenance of local industry; they know that the cane sugar refined in Baltimore is of the highest quality and that the local industry has more than adequate capacity to take care of the requirements of trade.

Fifth, our committee represents consumers in Baltimore. There are about 1,000,000 sugar consumers in the port of Baltimore who pay each year, according to the method of calculation employed by the Department of Agriculture, about \$2,000,000 to \$2,500,000 for the support of the sugar beet and cane producers in continental United States and in Hawaii and Puerto Rico. None of these subsidies reverts to Baltimore.

Our committee does not ask for an increase in the quota assigned by H. R. 9654 to the cane-sugar refiners in Maryland and other States. It merely requests that there be no reduction made in that quota. Under the quota system, it is obvious that if there is an increase in the quotas for the refiners in Hawaii and Puerto Rico, or the beet-sugar refiners, or both, there will be a decrease in the quotas for the continental refining industry. We know that there would be little or not refining done in Hawaii and Puerto Rico if these refiners, as growers, did not receive the indirect and direct subsidies from the Federal Treasury and sugar consumers in continental United States. The people of Baltimore do not see any reason why they should be called upon to pay subsidies to tropical producers and refiners and then have those corporate interests expand their refining at the expense of the long-established local industry.

Our general position in this matter applies with equal force to the production and processing of refined-beet sugar in the Western States. The beet-sugar industry has been developed and created in this country only because it has been subsidized in one way or the other. Under the quota system, the form of the subsidies is different, but the subsidy bill is still paid by sugar consumers. Our committee does not want to see any branch of American agriculture depressed; the beet-sugar industry is not depressed. We do not see any reason why the land-owners and factory owners in the sugar-beet States should have an expanded prosperity if that prosperity is going to come out of the people of our community. And if Congress permits an expansion of the beet-sugar industry, under a quota system, Congress will merely be transferring employment from Baltimore and other refining cities to Denver, Salt Lake City, Sacramento, and other beet-sugar cities. There are many persons who are opposed to Federal subsidies of any kind, but practically everyone is opposed to Federal subsidies if those subsidies create unemployment in one section of the country for the benefit of another.

We realize that the sugar problem is a complicated one and that we represent but one group and interest. But it is clear to us that any sugar legislation should give full consideration to all interests whether they are in the industrial seaboard States or whether they are on the farms and plantations. H. R. 9654 is a workable solution to this problem at this time.

In submitting this statement, we respectfully request that your committee insert it in the record of the sugar hearings.

Respectfully,

WILLIAM A. GERSTMAYER, *Chairman.*

PATROLMEN'S WIVES' BENEVOLENT ASSOCIATION  
OF GREATER NEW YORK,  
*New York, September 10, 1940.*

Senator PAT HARRISON,  
*Chairman of the Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR SIR: Last February, my organization, the Patrolmen's Wives' Benevolent Association which has a membership of about 3,000 women, made a study of the sugar situation in relation to the residents of New York and as a result passed a resolution asking Congress to continue the limitations on tropical refined sugar.

Earlier this year, we filed a statement with the House Agricultural Committee during the hearings on sugar legislation. We should like to submit a similar statement for your committee since we are convinced of the importance of preserving our home industries.

Our membership is drawn from women whose husbands earn their living in Greater New York, and the importance of the New York Harbor as an industrial center is of vital concern to them. New York is one of the largest sugar refining centers in the world and we are proud of it. The sugar refining men and women are unionized. They receive the highest wage scale in the entire sugar industry, and we want those men and women to keep working.

We do not want to see them lose their jobs nor do we want to pay higher relief bills. This might happen if H. R. 9654 which has passed the House of Representatives were changed to take away volume from our local refiners by giving a large quota to the beet sugar factories, or the tropical planters.

My organization, together with many other women's organizations in New York, is opposed to any legislation which would cut down the business done by the refining industry in New York or other States. We are particularly opposed to any increase in the beet-sugar quota because it would raise the amount paid to sugar growers and increase unemployment here.

To this letter I am attaching a copy of the resolution passed by the Patrolmen's Wives' Benevolent Association of Greater New York and a list of other organizations that have passed resolutions on sugar.

Again may I state that we feel that the Senate should not make any change in H. R. 9654.

Thanking you for your consideration, I am

Yours truly,

ELLA M. YOUNG,

*President of the Patrolmen's Wives' Benevolent Association of Greater New York.*

RESOLUTION

Whereas the New York Harbor area is the center of the largest cane sugar refining industry in the world, employing thousands of men and women who are 100 percent unionized and enjoy the highest wage and hour standards to be found in the American sugar system; and

Whereas this industry and these jobs are threatened by the possibility of an unlimited inflow of tropical refined sugar from Cuba, and from the American Islands of Puerto Rico, Hawaii, and the Philippines, since the Federal Sugar Act, which now limits this inflow, expires this year; and

Whereas under the Sugar Act these tropical producer-refiners receive price benefits, and cash subsidies from the Treasury, paid for by the American home-maker through a sugar sales tax, whereas our home refining industry receives no subsidy of any kind; and

Whereas proper protection for the American sugar refinery worker does not result in higher prices to the consumer, nor does the consumer make a saving on the tropical refined sugar as it sells in our market for about the same price as the home product: therefor be it

*Resolved*, That when Congress formulates new sugar legislation this year, it carry over into the new Sugar Act the present limitation on the importation of tropical refined sugar (sec. 207, H. R. 7667) or that it provide for a similar limitation in the new act, in order that our home-refining workers and industry have some protection against subsidized competition; and be it

*Resolved*, That the Patrolmen's Wives Benevolent Association, in passing this resolution, endorses this method of maintaining employment at home: and be it further

*Resolved*, That copies of this resolution be sent to the two Senators from New York State, and to the Secretaries of Agriculture, Interior, State, and Commerce in Washington, D. C.

ELLA M. YOUNG, *President*.

Date passed, FEBRUARY 14, 1940.

BROOKLYN COLONY, NATIONAL SOCIETY OF NEW ENGLAND WOMEN,  
*September 21, 1940.*

Senator PAT HARRISON,  
*Chairman, Senate Finance Committee, Senate Office Building,  
Washington, D. C.*

DEAR SENATOR HARRISON: I am writing to you in behalf of hundreds of women of Brooklyn, and New York generally, who are deeply concerned over the outcome of sugar legislation this year. I am a woman active in club life. I belong to many organizations, among them the following: President (past) of both the Brooklyn Colony, National Society of New England Women, and the Long Island Federation of Women's Clubs, member of Long Island Federation Executives, Fort Greene Chapter of the Daughters of the American Revolution, Kosmos Club, Cambridge Club, and others.

Of course, as consumers we want to see reasonable sugar prices, and as taxpayers, we would like to see sugar subsidies decreased rather than increased, but perhaps our main concern at the moment is over the preservation of our Brooklyn sugar refining industry. I am enclosing a clipping from the editorial page of the Brooklyn Eagle which will give you an idea of how we in Brooklyn feel on this issue.

A great many organizations representing thousands of women in Brooklyn and the New York area have, through official action, expressed their desire to preserve this important industry. I am submitting this letter with a list of some of the most important of these organization to be inserted in the record of the 1940 Senate hearings on sugar.

I very much hope our point of view will be taken into consideration by the Senate in reaching a decision on sugar legislation in 1940.

Very truly yours,

Mrs. CHARLES SOPER.

LIST OF ORGANIZATIONS THAT HAVE PASSED RESOLUTIONS OR TAKEN OFFICIAL ACTION ON SUGAR THIS YEAR

Long Island Federation of Women's Clubs.  
Catholic Daughters of America of Ridgewood.  
Kings County Auxiliary to Veterans of Foreign Wars.  
Brooklyn Catholic Big Sisters.  
Brooklyn Colony, National Society of New England Women.  
Good Citizenship League of Flushing.  
Hollis Woman's Club.  
Jackson Heights Forum.  
Brooklyn Woman's Club.  
Brooklyn Women's Republican Club.  
Business and Professional Women's Club of Brooklyn.  
Woman's Downtown Club.  
Long Island City Council of Mothers Club.  
Illuminati.  
Kings County Woman's Christian Temperance Union.  
Nurses Association of Long Island.  
Park Slope Defense League.

Lutheran Service Centre of Queens.

Mothers Clubs of -

Public School No. 33.

Public School No. 55.

Public School No. 85.

Public School No. 109.

Public School No. 122.

Public School No. 135.

Richmond Hill High School.

Republican Business and Professional Women's Club of Queens.

Twentieth Century Club of Richmond Hill.

Brooklyn Progress Association.

Prospect Community Club.

Protestant Big Sister Council.

Society of Patriotic Women of Brooklyn.

Women's Auxilliary to Fleet Reserve Association.

Women's Division of Navy Yard Retirement Association.

Women's Civic Club of Flushing.

Woman's Club of Forest Hills.

Women's Republican Clubs of Astoria and Jamaica.

Women's Republican League of Elmhurst.

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HAWAII EQUAL RIGHTS COMMISSION,  
Honolulu, T. H., August 5, 1940.

HON. PAT HARRISON,

*Chairman, Senate Committee on Finance,  
Senate Office Building, Washington, D. C.*

SIR: I have the honor to transmit herewith a properly certified copy of a resolution which was adopted this day by the Hawaii Equal Rights Commission.

Respectfully,

JOHN SNELL,  
*Executive Secretary, Hawaii Equal Rights Commission.*

#### RESOLUTION

Whereas H. R. 9654, a bill to extend, for an additional year, the provisions of the Sugar Act of 1937, and containing a limitation "that not more than 20,616 short tons, raw value, of the quota for Hawaii for any calendar year may be filled by direct-consumption sugar," now is pending before the Senate Committee on Finance; and

Whereas the so-called McCormack amendment containing this limitation treats and regards the incorporated Territory of Hawaii as on a Territorial parity with the island of Puerto Rico; but

Whereas Hawaii, as an incorporated Territory of the United States, pays all Federal taxes to the same extent as the several States and has contributed to the Federal Treasury from June 14, 1900, up to and including June 30, 1939, in Federal internal revenue and customs collections the sum of \$242,333,107.55, whilst Puerto Rico does not pay, and has not paid, these Federal levies; and

Whereas the sugar industry of the Territory of Hawaii subsequent to February 29, 1940, has not taken, and is not now taking, advantage of the expiration of the direct-consumption limitation provision contained in said Sugar Act of 1937; and

Whereas such limitation on the amount of direct-consumption sugar from Hawaii which may be marketed on the mainland, United States, constitutes a grave violation of the equal rights with the States to which the citizens of Hawaii contend they are entitled as residents of an incorporated Territory of the United States and by reason of the taxation to which they are subjected, and is an act of discrimination against the citizens of the Territory of Hawaii; and

Whereas this principle of equal rights for Hawaii was recognized and advocated by the Honorable Franklin D. Roosevelt, President of the United States, on April 11, 1940, in a letter to Hon. Marvin Jones, chairman, Committee on Agriculture of the House of Representatives, in which he wrote in part:

"The people of the Territory of Hawaii and the possessions of Puerto Rico and the Virgin Islands are American citizens who compose some of those minority groups in our population with local governments that lack the protections of statehood. If this circumstance were not given adequate consideration, it would be possible to destroy by legislation the livelihood of our citizens in the

insular parts of the United States through the enactment of discriminatory prohibitions against their products; and they would possess no legal power to take counter measures in self-defense. Such a course of action, as I have pointed out on a previous occasion, would be tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy. Among the cases in point is the proposal to reinstate the former discrimination against the refining of sugar in the insular parts of the United States;" and

Whereas the report of the Joint Committee on Hawaii rendered to the Congress on February 15, 1938, declared, among other things, that—

"The committee further recommends that the people of Hawaii be assured of the continued interest of Congress in their progress under the American flag; that as fellow citizens they be assured of the same treatment as the people of the several States; that the status of Hawaii as an integral part of the Union and an incorporated Territory of the United States be recognized in all national legislation; that its industries and products receive the same treatment accorded those of any other part of the Nation;" and

Whereas the sugar industry of the Territory of Hawaii has a trade arrangement assuring that 300,000 tons, raw value, annually go to the National Sugar Refining Co. on the Atlantic coast; and

Whereas the existing direct-consumption sugar capacity of Hawaii in effect constitutes a local monopoly since there is only one refinery in Hawaii at present, resulting in a retail price of sugar in Honolulu averaging four-tenths of 1 cent per pound more than on the mainland, according to the Department of Labor Bureau of Labor Statistics Monthly Bulletin of Retail Food Prices: Now, therefore, be it

*Resolved, by the Hawaii Equal Rights Commission,* That the members of the Senate Committee on Finance be, and they hereby are, respectfully requested and earnestly urged to delete from the said pending H. R. 9654 that portion of the so-called McCormack amendment beginning "Section 5", and running to the end of the amendment, placing a limitation of 29,616 short tons, raw value, on the amount of direct-consumption sugar from Hawaii; and be it further

*Resolved,* That properly certified copies of this resolution be transmitted by the executive secretary of this commission of the Honorable Franklin D. Roosevelt, President of the United States; the Honorable John N. Garner, President of the Senate; Hon. Harold L. Ickes, Secretary of the Interior; Hon. William H. King, chairman of the Joint Committee on Hawaii; Hon. Pat Harrison, chairman of the Senate Committee on Finance; Hon. Millard E. Tydings, chairman of the Senate Committee on Territories and Insular Affairs; and the Honorable Samuel Wilder King, Delegate in Congress from Hawaii.

HONOLULU, T. H., August 5, 1940.

I hereby certify that the foregoing resolution was adopted this date by the Hawaii Equal Rights Commission on the following vote: Ayes—Acting Gov. Charles M. Hite, acting chairman, ex officio; Louis S. Cain and Victor S. K. Houston, members. Nays—none.

JOHN SNELL,  
*Executive Secretary, Hawaii Equal Rights Commission.*

GRAND AUXILIARY TO THE VETERAN EMPLOYEES'  
ASSOCIATION, BALTIMORE AND OHIO RAILROAD,  
Baltimore, Md., September 27, 1940.

SENATOR PAT HARRISON,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR HARRISON: I am grand president of Ladies' Auxiliaries to the Baltimore and Ohio Railroad Veteran Employees' Association, also president of the Housewives Alliance, Inc., of Baltimore, Md.; my address is 130 North Hilton Street, Baltimore.

I would like to call to your attention of your committee that the C. W. Galloway Auxiliary, Baltimore, Md., to the Baltimore and Ohio Railroad Veteran Employees' Association and the Housewives Alliance, Inc., of Baltimore, are both definitely in favor of the sugar bill, H. R. 9654, as it was passed by the House of Representatives and feel that this bill should be recommended to the Senate without any changes.

In February 1940 the above organizations passed a resolution asking Congress to enact sugar legislation which would be fair and equitable to Maryland workers

and Maryland consumers. A copy of these is attached. We took this action because we felt that an industry which has been a source of great benefit to Baltimore and Maryland for so many years, should continue in operation.

This industry has suffered great losses in the past. These losses have come from the influx of tropical refined sugar. The industry will be subject to further losses if the expansion of the beet-sugar industry is not halted.

I thereof respectfully request that your committee insert my statement and the resolutions of my organizations in the record of sugar hearings.

Very truly yours,

Mrs. J. EDW. STIER,  
Grand President.

C. W. GALLOWAY, NO. 1, LADIES' AUXILIARY, VETERAN EMPLOYEES' ASSOCIATION, BALTIMORE AND OHIO RAILROAD

RESOLUTION ON THE NEW SUGAR LEGISLATION, FORMULATED IN WASHINGTON, D. C.

Whereas Baltimore is a large cane-sugar-refining center, employing hundreds of men and women who are 100-percent unionized; and

Whereas the importation of off-shore tropical refined sugar from Cuba, Puerto Rico, the Philippines, and other tropical areas, operates to increase the volume of business which is now done by the competitors of the railroad, mainly autotricks, barges, and to a lesser extent, ocean freight; and

Whereas the limitation of the amount of tropical sugar which can enter our markets from Hawaii and Puerto Rico, which have been in effect since 1934 expires on March 1; and

Whereas further loss of railroad jobs will result unless Congress includes similar limitations in any new legislation they formulate; and

Whereas an increase in the beet-sugar quota which has recently been proposed, will result in further loss of railroad business in the Baltimore area, as well as loss of business to the Baltimore sugar-refinery industry; and

Whereas the home refining workers cannot compete with the cheap native labor of the Tropics on which tropical refining is based; and

Whereas the tropical sugar groups are receiving a heavy subsidy from the American taxpayer while the home refining workers receive no such subsidy, nor any protection of any kind; Therefore be it

*Resolved*, That when new sugar legislation is formulated in Washington some provision be made for the protection of an important industry, and for the protection of jobs of well-paid American refinery workers; and be it

*Resolved*, That the C. W. Galloway Auxiliary to the Baltimore and Ohio Veteran Employees Association in passing this resolution, endorses this method of maintaining home industry and home employment; and be it further

*Resolved*, That copies of this resolution be sent to the Congressional representatives from the Baltimore district, the two Senators from Maryland, and to the Secretaries of Agriculture, Interior, State, and Commerce in Washington, D. C.

(Signed) Mrs. EDGAR B. GREEN,  
Secretary.

Date passed: FEBRUARY 14, 1940.

HOUSEWIVES ALLIANCE, INC., OF BALTIMORE

Whereas Baltimore is a large cane-sugar-refining center, employing hundreds of men and women who are 100-percent unionized; and

Whereas the importation of off-shore tropical refined sugar from Cuba, Puerto Rico, and the Philippines and other tropical areas operate to increase the volume of business which is now done by the competitors of the railroad, mainly autotruck, barges, and to a lesser extent ocean freight; and

Whereas the limitation on the amount of the tropical refined sugar which can enter our markets from Hawaii and Puerto Rico, which have been in effect since 1934, expires on March 1; and

Whereas further loss of railroad jobs will result unless Congress includes similar limitations in any new legislation they formulate; and

Whereas an increase in the beet-sugar quota which has recently been proposed will result in further loss of railroad business in the Baltimore area, as well as loss of business to the Baltimore sugar refining industry; and

Whereas the home refining workers cannot compete with the cheap native labor of the Tropics, on which tropical refining is based; and

Whereas the tropical sugar groups are receiving a heavy subsidy from the American taxpayer while the home refining worker receives no such subsidy, nor any protection of any kind: Therefore be it

*Resolved*, That when new sugar legislation is formulated in Washington, some provision be made for the protection of an important industry, and for the protection of jobs of well-paid American refinery workers; and be it

*Resolved*, That the Housewives Alliance, Inc., of Baltimore in passing this resolution endorses this method of maintaining home employment and home industry; and be it further

*Resolved*, That copies of this resolution be sent to the congressional Representatives from the Baltimore district, the two Senators from Maryland, and to the Secretaries of Agriculture, Interior, State, and Commerce in Washington, D. C.

(Signed) ALMA K. BELSINGER, *Secretary*,  
3100 North Baltimore Street.

Date passed: FEBRUARY 22, 1940.

AMERICAN FARM BUREAU FEDERATION,  
Washington, D. C., October 3, 1940.

Hon. PAT HARRISON,  
*Chairman, Senate Finance Committee,*  
*United States Senate, Washington, D. C.*

MY DEAR SENATOR: At its last meeting held in Chicago on September 9-10, 1940, the board of directors of the American Farm Bureau Federation authorized support by the Federation of the enactment at this session of Congress of H. R. 9654, extending the Sugar Act of 1937 for an additional year.

Since it appears unlikely that satisfactory new sugar-control legislation can be enacted into law during the present session of Congress, and the present act will expire at the close of this year unless renewed by Congress, the Federation believes it is essential to continue the assistance and protection provided by the present Sugar Act for another year until satisfactory new legislation can be formulated and enacted. While the present act is not satisfactory in all respects to domestic producers, it does provide substantial safeguards and assistance to domestic sugar producers.

It is, therefore, respectfully requested that Congress continue the Sugar Control Act of 1937 for an additional year.

Sincerely yours,

(Signed) EDW. A. O'NEAL,  
*President.*

\* THE WOMEN'S DIVISION, CHAMBER OF COMMERCE AND  
CIVICS OF THE ORANGES AND MAPLEWOOD,  
19 South Harrison Street, East Orange, N. J., September 24, 1940.

DEAR SENATOR HARRISON: The newspapers say that your committee is planning to hold hearings on sugar legislation. I am interested in sugar from the consumer's point of view, and would like to have a statement inserted in the record of the hearings.

I am Mrs. Agnes A. Schermerhorn, of 50 South Arlington Avenue, N. J. I am president of the women's division of the Chamber of Commerce and Civics of the Oranges and Maplewood, and a former assemblywoman from Essex County, N. J. I am affiliated with the following organizations:

National Consumers Tax Commission, State director.  
New Jersey State Federation Women's Clubs, former president.  
General Federation of Women's Clubs, former vice president.  
Women's Club of Orange, former vice president.  
New Jersey League Women Voters, first president.

Because of my close contact with so many of the women's organizations in New Jersey, I feel I know their point of view on the problem confronting the State's cane-sugar refining industry.

We know that the refinery at Edgewater, N. J., is one of the largest in the world, and the citizens of New Jersey are directly concerned in its fate. The refining industry has lost business in recent years because of unfavorable legislation, and consequent loss of jobs to our people. New Jersey cannot afford further

unemployment, nor can it afford the loss of so large an industry as the refining industry.

The attempts of the beet-sugar industry to increase its production is a menace to the home refining industry. We are paying heavy subsidies to the beet-sugar growers, thus paying, as well, subsidies to the tropical producers of the sugar we consume. We feel we should pay no more in subsidies, especially if our men and women lose their jobs. Our men and women are well paid and work under excellent conditions. Why compel them to compete with, and lose out to, unorganized labor in the beet fields, or to low-paid workers in the Tropics.

My own organization—the women's division of the Chamber of Commerce and Civics of the Oranges and Maplewood—passed a resolution on February 28, 1940, asking Congress to protect the home refining industry and the workers in it. Other women's organizations in New Jersey have done this, too, and enclosed is a limited list of these, together with some copies of the resolution.

We believe that the passage by the House of Representatives of H. R. 9654 has been helpful, and we earnestly ask your committee to recommend to the Senate such sugar legislation as will contain exactly the same provisions as H. R. 9654. Any change therein would hurt New Jersey's citizens, workers, and industry.

Respectfully yours,

AGNES ANNE SCHERMERHORN.

THE FOLLOWING RESOLUTION WAS APPROVED BY THE WOMEN'S DIVISION OF THE CHAMBER OF COMMERCE AND CIVICS OF THE ORANGES AND MAPLEWOOD AT ITS FEBRUARY 28, 1940, MEETING

Whereas New Jersey has, at Edgewater, one of the largest cane sugar refining plants in the United States giving work to hundreds of men and women who are 100 percent unionized and enjoy the highest wage scale in the American sugar system; and

Whereas this industry and these jobs are threatened by the possibility of an unlimited inflow of tropical refined sugar from Cuba, and from the American islands of Puerto Rico, Hawaii, and the Philippines, since the Federal Sugar Act, which now limits this inflow expires this year; and

Whereas under the Sugar Act these tropical producer-refiners receive price benefits and cash subsidies from the Treasury, paid for by the American home-maker, in part through a sugar sales tax, whereas our home refining industry receives no subsidies of any kind; and

Whereas proper protection for the home industry does not result in higher prices to the consumer, nor does the consumer make any saving on the tropical refined sugar; and

Whereas the New Jersey refinery cannot compete with refiners who base their operations on cheap tropical labor: Therefore be it

*Resolved*, That when Congress formulates new sugar legislation this year, it carry over into the new Sugar Act the present limitation of tropical refined sugar (sec. 207, H. R. 7607), or that it provide for a similar limitation in the new act, in order that our home refining industry may have some protection against subsidized competition; and be it

*Resolved*, That the women's division of the Chamber of Commerce and Civics of the Oranges and Maplewood, in passing this resolution endorse this method of maintaining home industry and home employment; and be it further

*Resolved*, That copies of this resolution be sent to the Congressional Representatives for New Jersey, to the two Senators from New Jersey, to the Secretaries of Agriculture, Interior, State, and Commerce, respectively, in Washington, D. C.

(Signed) EDNA MILLS,  
Corresponding Secretary.

Mrs. CLARENCE B. MILLS,  
263 N. Walnut Street,  
East Orange, N. J.

In New Jersey, a number of women's groups have sent in resolutions to Congress asking for protection to the New Jersey refining industry. Some of these are—

New Jersey State Federation of Women's Clubs.

Women's Republican Club of New Jersey, Inc.

Women's Division of the Chamber of Commerce and Civics of the Oranges and Maplewood.

Bergen County Women's Republican Club.



Contemporary of Newark.

Ladies Auxiliary to Veterans of Foreign Wars, Hackensack.

Ladies Auxiliary to Veterans of Foreign Wars, Paterson.

These groups represent over 50,000 women.

RESOLUTION PASSED BY THE BOARD OF GOVERNORS OF, AND LATER RATIFIED BY THE MEMBERS PRESENT AT A REGULAR MEETING OF THE WOMEN'S STATE REPUBLICAN CLUB OF NEW JERSEY, INC., MARCH 18, 1940

Whereas New Jersey has, at Edgewater, one of the largest cane sugar refining plants in the United States, giving work to hundreds of men and women who enjoy the high American wage; and

Whereas the Federal sugar legislation, which governs our entire American sugar system, expires this year: Therefore be it

*Resolved*, That when Congress formulates sugar legislation this year, this legislation shall not result in a loss of jobs to our refining men and women or loss of business for our home cane sugar refining industry; and be it further

*Resolved*, That the Women's State Republican Club of New Jersey, Inc., in passing this resolution opposes House Resolution 8746; and be it further

*Resolved*, That copies of this resolution be sent to the Congressional Representatives, the two Senators from New Jersey, and to the Secretaries of Agriculture, Interior, State, and Commerce, respectively, in Washington.

HARRIET V. COLTON,  
*Recording Secretary.*

The CHAIRMAN. The hearings are now closed and we will go into executive session.

(Whereupon, at 11 a. m. the committee hearings were closed and the committee went into executive session.)

