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AMENDING SUGAR ACT OF 1937

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

ON

S. 937

A BILL TO AMEND SECTION 204 OF THE
SUGAR ACT OF 1937

MARCH 18, 1941

Printed for the use of the Committee on Finance



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AMENDING SUGAR ACT OF 1937

TUESDAY, MARCH 18, 1941

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

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

Senator GEORGE. The committee will come to order.

Senator Brown has reported to the committee and has excused himself in order to attend an important meeting of the subcommittee of the Commerce Committee on the reapportionment bill. He promises to return as quickly as he can.

Senator Davis has reported but has another meeting to attend and will not come back unless notified that action is to be taken this morning.

This hearing is on S. 937, introduced by Senator Adams for himself and Senator O'Mahoney.

(S. 937 is as follows:)

[S. 937, 77th Cong., 1st sess.]

A BILL To amend section 204 of the Sugar Act of 1937

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 204 of the Sugar Act of 1937 is hereby amended so as to read as follows:

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

(a) If, on the 1st day of September in any calendar year, any part or all of the proration to any foreign country of the quota in effect on the 1st day of July in the same calendar year for foreign countries other than Cuba has not been filled, the Secretary may revise the proration of such quota among such foreign countries,

by prorating an amount of sugar equal to such unfilled proration to all other such foreign countries which have filled their prorations of such quota by such date, on the basis of the prorations then in effect.

(Section 204 of the Sugar Act of 1937 is as follows:)

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

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

Senator ADAMS. Mr. Chairman, may I be permitted to make a statement outlining the situation, as I see it?

Senator GEORGE. We will be pleased to hear from you, Senator.

STATEMENT OF HON. ALVA B. ADAMS, UNITED STATES SENATOR FROM THE STATE OF COLORADO

Senator ADAMS. Mr. Chairman and gentlemen: My information is primarily as to the beet-sugar industry. The cane-sugar industry is equally interested in this matter and I shall leave to those who are familiar with it to mention particularly that phase of it. I might say there is no controversy, so far as I know, between any of the continental or American sugar-producing areas over this bill. In other words, there is no conflict of interest between Hawaiian and Puerto Rican cane and the beet-sugar industry within the continental areas.

I would like to give you, first, a statement on our beet-sugar situation, with which I am familiar. The beet-sugar situation is rather distressing. We have been allotted this year an acreage of 820,000 acres. Last year and the year before that the allotment went almost to 1,000,000 acres. That is, the farmers who are producing beets are confronted with a forced reduction in their planted acreage.

The sugar-beet industry is a small-farm operation. In my State the beet acreage is 10, 20, and 30 acres. It is produced by owners of farms generally. It is a unit type of production. That is, you have to have your sugar factory and your sugar-beet production, and they make up a unit. If the factory closes, sugar beets cannot be produced.

We have, in my State, as merely illustrative, 17 sugar factories. It is not merely sugar that is produced in these areas, you have the factory with its labor. The factory contributes to the coal production, it contributes to the railroads, it contributes to the mining of lime and other material, it provides feed for livestock, it is a unified type of agricultural and manufacturing production, all conducted within a narrow area. Now it takes at least 10,000 acres of sugar beets to justify the operation of a factory. They cannot operate upon a quantity less than that. I merely use that as an illustration of the conditions that exist throughout the west.

In Colorado we have 17 factories. Under the administration of the Sugar Act we are allotted 136,000 acres. It means in my State at least four sugar factories will have to close if there is not some relief. If the sugar factory closes it means that the entire farming area about it is disrupted in its economic progress and its prosperity, because, as Senator Vandenberg explained on the floor of the Senate the other day, there is no such thing as halfway. If the contiguous sugar factory closes and the farmer cannot produce his beets he simply goes out of the sugar beet production. So when we reduce the acreage theoretically in Colorado to 136,000 it probably will mean more than that, because that is a distribution among all of the farmers in the State, and if you close four factories you take out from 30,000 to 40,000 acres from that State. Now I think that is equally true, or more true, in Michigan. The Senator will know that.

Those things are the basic difficulties. This bill is not concerned with the beet-sugar regulations, but is a possible relief in this situation.

The Philippine Islands have a quota under the Sugar Act, as each sugar producing area has its quota. Now it so happens, due to the war situation, the sinking of ships and the great increase in freight rates, that there is a probability that the Philippine Islands will not be enabled to market their quota of sugar in the United States. The law, as it was drawn, provided that if the Philippine Islands were not able to market their quota of sugar the deficit should be distributed, strangely, among foreign areas. The deficit was not to go to the United States, not to go to Hawaii, not to go to Puerto Rico, not even to go to Cuba, but to foreign areas other than domestic areas and Cuba.

Senator TAFT. Is that an allotment by the Department? That is not the law?

Senator ADAMS. That is the law.

Senator TAFT. That is the law?

Senator ADAMS. That is the law. These allocations of deficit have been relatively small in the past.

Here is the unfortunate situation in the sugar producing areas; here is a possible opportunity to meet this problem by taking the deficit which may occur in the marketing of the Philippine sugars and distribute it among domestic areas, and it takes not 1 pound of sugar away from anybody. The Philippine quota is not reduced, there is no quota reduced at any place, foreign or domestic, but simply changing the law which now says that if the Philippine Islands do not market their quota, the deficit, when it is determined, shall be distributed among foreign areas. Under the law the deficit in the Philippine quota would go to Peru, might go to Java, or any place else,

except to the American cane and the sugar beet farmer who is on the verge of disaster because of the restrictions put upon his production. May I say again, Mr. Chairman and gentlemen, that this bill would make not one iota of change in the Philippine quota or anybody else's quota. I simply say that if the Philippines, by the misfortunes of war, cannot bring to the United States the amount of sugar they are permitted to bring, that that shortage shall not be made up by foreign groups to supply our domestic consumption of sugar, but we will divide that among our own people.

Senator GEORGE. Divide it among whom, Senator? How will it be divided under your bill?

Senator ADAMS. In the exact ratio of existing quotas.

Senator GEORGE. It will go to whom? Will it go to the States or will it include our possessions, such as Puerto Rico, for instance?

Senator ADAMS. Oh, yes; the distribution of sugar production under the Sugar Act is divided in this way: First, continental—

Senator GEORGE (interposing). And then the insular?

Senator ADAMS. Continental and insular are gathered together, in other words, under the term "domestic."

Senator GEORGE. The bill would not exclude the insular possessions?

Senator ADAMS. Not at all.

Senator GEORGE. What is the estimated deficit in the Philippine shipments, or is there any way of estimating it at this time?

Senator ADAMS. It can be estimated. For instance, the Philippine Commissioner said that they had shipped or contracted to ship 600,000 tons—that was the statement I got from him—which, if that is all, might leave a deficit of approximately 400,000 tons. Now of course they may have a contract to ship and not be able to get the ships. It is purely a problem of shipping. Now the freight rates have gone up from the Philippine Islands until they are almost prohibitive. The freight rates in 1937 from the Philippine Islands to the United States were \$8.50 a ton; \$8.25 a ton in 1938; \$6.75 a ton in 1939; \$11 a ton in 1940, and then this year they jumped to \$19 in January to \$32 in March. In other words, 1½ cents a pound, practically. Even if ships were available, the freight cost almost inevitably will prevent the shipping of sugar, because the ships will take cargoes that can afford to pay the high rates. You see, the freight rate has jumped four times—it is four times its average freight rate. Then you have the shortage of ships. So it seems almost inevitable that there will be a deficit, but if there is no deficit then there is no loss; we merely would fail to get it. That is, nothing is taken from the Philippines; their quota is not limited; we are merely saying, "If you cannot sell we think the deficit should be divided among Americans and not among foreigners."

Senator JOHNSON of Colorado. In answer to Senator George's inquiry, is it not a fact that we are supposed to have a surplus of sugar at the present time in the United States, and is not that the ground for the proposed reduction in beet area to 820,000 acres?

Senator ADAMS. Senator Johnson, there seems to be a conflict among the prophets on that matter. You and I were told that the reason for reducing the beet sugar acreage was because there was an excessive carryover. At the same time we are being told that the Government is going to lend money to Cuba to increase production there. We are being told that there is a shortage of sugar. The financial papers have

carried stories of shortages of sugar. War conditions have nearly always resulted in sugar shortages. Now we are dependent for two-thirds of our sugar on sugar that comes in over the ocean. But there is no theory about the reduction that has been made in Colorado and other States. That reduction has been ordered. There is nothing questionable about that. We have been stopped in spite of the very good advice that they have had.

Now, Mr. Chairman, you are not going to take away anything from the foreign areas that they have ever had, and they have a list of some 20 countries that have brought in a little sugar. For instance, Australia, we got 204 pounds one year from there, and British Malaya, we got 25 pounds. From Colombia we got 267 pounds. That is, the amounts were so small that they had to put them in pounds, not tons. We got from Italy 1,700 pounds, and from Japan 4,000 pounds. In 1937 the aggregate foreign allocation was 26,000 tons, a relatively insignificant amount in the amount of consumption, which runs towards 7,000,000 tons. ■

Now if you are to take the Philippine quota, assuming that the deficit was 200,000, 300,000, 400,000 tons—if you give it to these foreign areas you are going to multiply their quota anywhere from 5 to 10 times, while the American producer is not able to operate his farm. The farmer, equipped to produce beets and not equipped to produce other things, is idle, his church is closed, his school is closed, his towns decay, while we allow the sugar to be brought in from all of this list of foreign countries.

Now in 1940, Mr. Chairman, the Sugar Act provides a quota for foreign governments. It is only eight-tenths of 1 percent of offshore sugar quota excluding Hawaii and Puerto Rico. That is a shade less than four-tenths of 1 percent of the total American consumption of sugar. That is the quantity we are dealing with. The foreign people are allotted, under the Sugar Act, less than four-tenths of 1 percent of the American consumption of sugar. Now the result of that was that in 1940 the initial quota of these foreign countries was 26,581 tons, and of that they filled 17,336 tons. In other words they did not fill their quotas in 1940. There are some adjustments, perhaps, to be made subsequently. Under this law heretofore the Philippine quota deficit, if there was one, has been distributed, but the foreign producers themselves are insignificant.

Senator VANDENBERG. Exclusive of Cuba, of course.

Senator ADAMS. Oh, yes; of course Cuba is a large producer, and the Sugar Act draws a line between domestic plus Cuba on one side and foreign producers on the other.

Now the Philippine quota, under the Independence Act, was 952,000 short tons. They have a tax-free quota of that amount. They have then a quota which is taxable, which brings their total quota to about 1,030,000 tons. That is, that quota has not been usually filled because they cannot bring the sugar in and pay the tax, but this time the probability is that there will be a very substantial deficit in the tax-free quota.

Now, Mr. Chairman, that, in substance, represents this bill. It is simply a modification of the clause in the Sugar Act which distributes Philippine deficits to foreign countries so as to provide that the deficit shall be distributed among domestic areas in the exact proportion in which they now have their quotas, that is Hawaii, Puerto Rico and

continental United States beet and cane. It would be simply taking over a deficit for the benefit of a sadly distracted industry, and I think the bill, Mr. Chairman, deserves the very sincere attention of the Congress.

Senator JOHNSON of Colorado. May I ask the Senator a question, Mr. Chairman?

Senator GEORGE. Yes.

Senator JOHNSON of Colorado. Senator, this is supposed to be an emergency of a temporary nature, and if foreign sources are given our markets on this temporary basis what is going to happen when we get back to a normal situation? Is it not going to be difficult to stop the importations from these new foreign sources that are proposed to be opened up now?

Senator ADAMS. Well, Senator, to give you a specific instance, in the first place, of course, we are dealing only with the Sugar Act of 1937, which expires on the 31st of December this year. If the deficit is distributed among foreign areas it will be distributed to areas whose sugar has been produced with the intent of selling it elsewhere. You take the Dominican Republic, it has always sold its sugar to Britain and British colonies and dependencies. Their sugar was not raised with the view of selling it to the United States. That is true of Peru; that is true of most of these foreign islands. They have their lines of regular sales, just like the beet men and cane men in the United States. So what it would do, it would divert, if the law stands without amendment, it would divert into competition with the American sugar producer, and to the exclusion of the American sugar producer, sugar which is being produced and has been produced for the purpose of selling it to foreign governments.

Senator JOHNSON of Colorado. And it would be hard to stop that movement after the supposed emergency is over?

Senator ADAMS. Yes, sir. Thank you, gentleman. I have no doubt there are some other gentlemen here who are better posted. I wanted to outline to you my own reason and that of Senator O'Mahoney who joined with me in introducing the bill, who was delayed in coming here.

Now we had no schedule of witnesses. There are a number of men here who know the cane and beet-sugar business, both the producing and processing ends, and I assume Senator Ellender wants to say something from the cane-sugar standpoint.

Senator GEORGE. Senator Ellender, do you wish to make a statement?

Senator ELLENDER. Yes.

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

Senator ELLENDER. Mr. Chairman, and gentlemen: I do not know that I can add much to what Senator Adams has just stated, because most of the arguments that are advanced with respect to sugar-beet production also apply to sugar cane.

What we are attempting to do, of course, is to obtain a larger quota for domestic sugar producers, and this can be accomplished by the change in the law suggested by Senator Adams if there happens to be a deficit in the Philippine shipments of sugar to the United States.

As Senator Adams pointed out, the only change in the 1937 Sugar Act which his bill seeks to bring about is to permit any deficits in the Philippine sugar quota to be distributed among the domestic areas rather than foreign areas.

Senator Adams referred to a proposition that is now being worked out by the R. F. C. in order to further aid the Cuban sugar interests. I had occasion to write the Federal Loan Agency here at Washington for information with respect to that proposal. It seems that Cuba cannot dispose of its surplus sugars, that is the sugar in excess of what is consumed in Cuba and marketed in the United States. That condition, of course, is a result of British blockade. Now, let me read to you a letter on the subject that I received day before yesterday, that might be of interest. It is signed by W. L. Clayton, who is Deputy Administrator of the Federal Loan Agency. The letter reads:

MARCH 14, 1941.

DEAR SENATOR ELLENDER: Mr. Pierson left rather unexpectedly for South America and asked me to reply to your letter of March 6 regarding Cuban sugar financing.

Upon condition that the Cuban Government shall extend the operation of its present system of allocating sugar production (Decree Law 522); and shall limit its 1941 crop to 2,400,000 tons, we have agreed to finance up to 400,000 tons of such crop.

The basis of the financing is \$4 per bag (total \$11,200,000) and the loan is secured by the sugar by the pledge of 6 cents per bag tax on total Cuban production during the life of the loan; and is guaranteed by the Cuban Government.

Provision is made for amortization in equal annual amounts over a period of 5 years; as well as for the sale of not less than 50,000 tons annually at not less than the amount loaned.

Now this is the amount loaned, I am quoting —

(\$0.0123 per pound). A crop of 2,400,000 tons represents a substantial reduction from previous years.

The sugar cannot enter the United States except, of course, as part of the Cuban quota.

Hoping this will give you the information desired, I remain,

Sincerely yours,

W. L. CLAYTON, Deputy Administrator.

Senator VANDENBERG. What is the Cuban quota, Senator?

Senator ELLENDER. 1,900,000 tons in round figures. The amount consumed in Cuba I think amounts to 400,000 or 500,000 tons, and the rest of it, of course, they have exported in the past to England and other countries, but because of the blockade they are now unable to get rid of that sugar. It now appears that the Government of the United States is willing to make loans to Cuba, or I think the loans have actually been approved, from all I can find out, so as to permit the harvesting of the sugar which normally, is exported to Great Britain and other countries.

Senator VANDENBERG. In other words, when they have a surplus we subsidize it, and when we have a surplus we penalize the boys that produce it.

Senator ELLENDER. It seems to me the Government is more willing to help the foreign producers than the American producers. Although I think both the Republican and Democratic platforms provided that we should retain our American markets for American farmers, it does not seem to work that way with respect to sugar.

Senator RADCLIFFE. Senator, would this plan lessen the amount of raw sugar which would be refined in the Eastern refineries?

Senator ELLENDER. Yes; to some extent it would.

Senator ADAMS. Mr. Chairman, will you permit me to interrupt? This will not lessen the amount of sugar in eastern refineries, it will not reduce the amount particularly, because here is a deficit which would be distributed in part to Hawaii, which would come into the eastern refineries, and which would be distributed in part to Puerto Rico, which would also come into the eastern refineries. The part of the deficit going into the beet areas would not go into the refineries. I mean, it is a redistribution which increases the amount of sugar coming in. Now from one standpoint I see where you can figure a reduction, but, on the other hand, it is an equal distribution in which the part that goes to the cane people will go to the refiners.

Senator TAFT. If we bought Peruvian sugar instead of beet sugar, to that extent the coastal refiners would be helped, would they not?

Senator ADAMS. But a large part of the foreign sugar comes in refined. In fact, I think that is true of nearly all of it, because the method of transportation, the small quantities, does not make it suitable for the transportation of raw sugar. There is not any injury to the refiners.

Senator ELLENDER. When I answered "yes" to the question of the Senator from Maryland, I, of course, referred to the fact that if this bill should go through and a deficit in the Philippine shipments exists of, say, 200,000 tons, the beet area would supply its share of that deficit. As the Senator knows, when beet sugar is manufactured into sugar, it is manufactured into a refined stage, but the sugar thus processed would be so little that it would not amount to anything. This reallocation of the Philippine quota would be distributed not only among the beet people and the sugarcane area of Florida and Louisiana, but also to all offshore areas which are listed under section 202 of the Sugar Act, that is, Hawaii, Puerto Rico, and the Virgin Islands. In other words, if this amendment should go through, then these various islands that I have just mentioned would also share in the distribution of that sugar, and necessarily any raw sugar produced there would be sent to the refiners, just as in the past. The amount of additional sugar that would be produced by these areas would probably offset the small amount that the beet areas would be allotted. In any event, the difference would not be very much, probably not more than a few thousand tons.

Now I do not know that I can add anything else to the subject except to repeat some of the arguments that have been advanced by the Senator from Colorado. I have expressed my views many times on the Senate floor, and, as a matter of fact, you gentlemen know that the sugar cane farmers of the great State of Louisiana, as well as those of the great State of Florida, have been suffering from acreage cuts for the past 3 years to the same extent, if not greater, than what is now being imposed upon the sugar beet farmers of the Middle West. I am in thorough sympathy with their plight.

I believe that the Senate ought to act on this legislation at once and relieve the situation, by permitting the domestic areas to have a much larger portion of our sugar market than they have had in the past. I am in hopes that not only this amendment will be adopted without delay, but that the Finance Committee will get busy and assist us in drafting a real sugar act that will adequately take care of our American producers. It is my sincere hope that our sugar policy in the

future will be such that no longer will these foreign sugar producers be looked upon with favor, as they have been in the past, to the detriment of our own American sugarcane and sugar beet producers.

Senator VANDENBERG. Is that the policy of the Department of Agriculture that you have just been outlining?

Senator ELLENDER. I can say to the Senator from Michigan I know that it has been with respect to sugar.

Now I would like to put into the record, if you will permit me to do so, a document showing the average price and production of sugar in Cuba from 1929 through 1940.

Senator GEORGE. You may do so. Hand it to the stenographer. (The table referred to is as follows:)

Sugar—Average price and production in Cuba

	Average price of raw sugar in warehouses, Havana	Production		Average price of raw sugar in warehouses, Havana	Production
	Cents per pound	Short tons		Cents per pound	Short tons
1929.....	1.72	5,852,370	1935.....	1.58	2,870,032
1930.....	1.24	5,301,654	1936.....	1.73	2,844,934
1931.....	1.12	3,542,103	1937.....	1.76	3,372,082
1932.....	.72	2,954,251	1938.....	1.45	3,377,400
1933.....	.97	2,264,415	1939.....	1.51	3,087,344
1934.....	1.20	2,581,334	1940.....	1.36	3,125,684

¹ Authorized production.

Source: 1929 to 1939, Anuario Azucarero de Cuba; 1940, commercial attaché reports. U. S. Tariff Commission, March 1941.

Senator ELLENDER. Thank you very much.

Senator GEORGE. Senator Andrews.

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

Senator ANDREWS. Mr. Chairman, there is not much that I can add to what has already been said. I feel like apologizing, because my State produces less than 1 percent of the sugar consumed in the United States.

Senator VANDENBERG. That is not your fault.

Senator ANDREWS. No; it is not my fault. We are faced with two very important, imposing forces, thoughts and policies. One is the "good neighbor policy" which calls not only for apportionment of our own continental production and our islands, but also apportionment to foreign countries like Cuba, for instance. I feel, like most of you, that while Cuba does not, nor will ever, belong to us, it is very near to us and it is my hope that the good neighbor policy will never be suspended or canceled as between Cuba and the United States, and the Latin-American countries and the United States. We want to be very careful not to disturb that relationship. In my judgment Cuba has in the past, and will in the future, follow the general policies of the United States. It is my further belief that if we are ever to have to go down because of the dictatorial powers from Europe, or anywhere, that Cuba would go down with us.

We have the peculiar situation, however, that Cuba sends to this country nearly 2,000,000 tons of sugar. That is nearly one-third of what we use in continental United States. The Department of Agriculture, and I believe all of those who have studied the subject and written upon it, have advised the farmers for years to rotate their crops, not grow the same thing each year such as cotton, tobacco, and thus we have adopted that policy in the South to avoid a surplus. But in those instances those are products which we grow a surplus of in our own continental United States, such as tobacco and cotton. Sugar is the only crop apportioned to us, although there is no surplus produced in the United States. It is a nonsurplus product. You cannot explain to a cane or beet producer that continental United States which produces less than one-third of the sugar we consume and yet he is not allowed to plant in excess of a certain amount if he does he is penalized. It puts us in a bad position. It makes him, in a way, lose confidence in the very purposes and policies of our Government. Now that allotment policy did not start recently, it has been going on for some time.

Now here is the situation that we are going to face: Everyone seems to feel that there is a chance of about 50-50 that we may be ultimately involved in a foreign war which may be far more disastrous than the last one. If that be true, we should look back to see what the sugar situation was in the last war. We had to appoint committees in various counties of the various States of the United States to apportion the sugar allowed for use by the families. It was practically given to them in a tablespoon. My wife served on that committee, and I recall the situation. We tried to prevent the price of sugar from going up to an exorbitant price, but we could not do it. It went to more than 25 cents a pound. All right. That being the situation then what are we facing now? Should we not turn more of our suitable land in the continental United States and our islands into the production of sugar under some plan that will not bring about that same situation?

The sugar from the Philippine Islands is not brought to us in our own ships. I saw a statement recently that last year (or 1939) 80 percent was brought here in Dutch vessels, some in Japanese or Italian vessels. Only a very few tons were brought here in our own ships. The Axis Powers have overrun those countries, and the situation looks as though very soon there might not be any ships to bring sugar from the Philippine Islands to our country.

In addition to that the Philippine Islands may be taken by the Axis Powers ultimately. What kind of a situation will that leave us in, if the Philippine Islands have been heretofore producing and sending to this country over 16 percent of what we use? If they were cut off from us, it would produce a sugar famine that it would take the United States anywhere from 6 to 7 years to overcome. Of course we could get the assistance of Cuba, Puerto Rico, and Hawaii to help overcome it, but we, in the continental United States, had better be looking ahead with a view of making our own continental United States more self-sustaining in the most important, the most universal food that is consumed by man, perhaps, except bread.

The dietitians tell us that the energy of the men in the Army depends to a great extent upon the consumption of sugar, which is an energy-producing food, and as I stated on the floor of the Senate recently, it is just about as essential in effective warfare as gunpowder.

Now that is the situation that we are at this time confronted with, and why not let us start producing sugar in the United States to the point where, if purchase our sugar-producing islands are taken away, that we will be, to that extent, self-sustaining. Now that is no fanciful statement if the ships that have been bringing sugar from the Philippines have been practically taken out of service. In my judgment our dilemma can be cured to a great extent by this bill introduced by Senator Adams.

There are some other matters in connection with our present allotment policy that I will not mention at this time, other than to say that down in Florida there was paid nearly \$500,000 for the nonuse of lands now lying idle, the richest of which far exceeds the Valley of the Nile. Cane matures 8 and 10 feet high there in that rich soil, and the Government pays them not to use it. I introduced an amendment in the Senate last year offering to forfeit this if they will let us plant our acreage there without restriction, and thus build up a great industry at home for our own American farmers.

Here is another point: In that cane-producing area there are 5,000 or 6,000 men, most of them heads of families, who are making a living by producing sugarcane. Whether they own the land themselves or not, they have to be farmers to cultivate sugarcane, and the farm laborers are paid \$2 a day and spend every cent of it in the United States. They buy automobiles from Michigan, and they buy various other manufactured goods from different parts of the United States with that money. The economic situation is such that in some of the areas whence we are importing sugar, labor is paid less than one-third of that paid here in Florida; and even that money never gets back here.

It is time, I think, that the farmer was being considered more in our national set-up. The average income of the average farmer of the United States is very small—when reduced to cash—about \$300 annually. I forget the exact amount. On the other hand there are men now employed to build ships, airports, and cantonments in this preparedness campaign that make that much in 1 month. That is a serious situation and we are going to have to face it, gentlemen, as sure as twice two is four. If we do not protect our farmers in this preparedness campaign, we are going to have to do it when the war is over. I recall that when the boys came back from Europe after the World War and found their next-door neighbors getting \$10 to \$20 a day and living at home comfortably while they, who went across, were serving for \$31 a month, it did not set well, and we had better be thinking about it now at this time, because there is going to be a reckoning just as sure as we live. Here is a chance to try to correct a wrong policy and we had better start in time.

Senator GEORGE. Thank you very much, Senator Andrews. Senator Norris, do you wish to make a statement?

Senator ADAMS. Mr. Chairman, I would like to make a suggestion. I have made a statement here as to the attitude of Hawaii and Puerto Rico. I note that Delegate King is here and I would like to have him state whether they approve of this bill.

Senator GEORGE. I was going to call on him. I thought perhaps Senator Norris wished to make a statement. Do you wish to make a statement, Senator Norris, at this time?

STATEMENT OF HON. GEORGE W. NORRIS, UNITED STATES SENATOR FROM THE STATE OF NEBRASKA

Senator NORRIS. Mr. Chairman, to my mind the proposition contained in this bill, after all, is very simple. Whether we like it or not—and I confess I do not like it—we are confronted with what to me is a fundamental error in dividing up, in allocating the amount of sugar that the American farmer can produce and the amount of sugar that can come in from various other countries, a product that we all admit, to start with, we are not able to produce what we are going to consume, or what we want to consume.

Now we are confronted with the proposition that the Philippine Islands will not be able to supply their quota. What are we going to do about it? Under the law, if the allocation is to be made, the Philippine Islands are entitled to ship in here a certain number of thousands of tons of sugar. I do not suppose we are absolutely certain, but the probabilities are the Philippine Islands will not be able to do that. That is not because they do not want to, but because, on account of conditions over which we have no control whatever, it is going to be impossible, perhaps, for the Philippine Islands to do that. Shipping has been destroyed at a terrible rate, sent to the bottom of the ocean, so there is a scarcity of shipping. As the result of that freight rates have gone up enormously, so that the probabilities are the Philippine Islands will not be able to ship their sugar here on account of the freight which they will have to pay, or indeed, if they can get ships at all to ship it at any price. We are going to be short that much.

The question is: From what sources will we permit sugar to be produced to supply that deficiency? The only thing this bill does is to provide that that shall be supplied by American sugar and shall not be supplied by foreign sugar. Is not that a fair proposition? Are we under any obligation, moral, legal or any other kind, to say to foreign producers, "You have an enlarged market here now to take your sugar to," when we have literally thousands and thousands of American people prepared, on soil as good as anywhere in the world, to produce that sugar and are asking at the hands of Congress, that they be permitted to produce it? So far as I have been able to find out, the sugar industry, both cane and beet, can produce more sugar if they are given an opportunity to produce it. Up until now, in some portions of the West, on soil that is as fertile as the Nile, the Government has loaned money to farmers to put in irrigation plants and projects, and these farmers owe the Government for that money and they want to pay it. Here you have the Government saying that you cannot produce the most profitable crop, and they have cut the quota down. It means that the Government is making it difficult for its own citizens who owe it money to pay the bill. I do not know of any case in history where we have a thing similar to that. The injustice of that must appeal to every reasonable man.

Now here we have an opportunity where we can do something. It will not be full relief, it may be no relief, it probably will be some, but it will be temporary. It will not be fundamentally a relief from the situation we are confronted with, but it will help it some to take the quota that has been allotted to the Philippine Islands and permit our people to produce that quota, and they are very anxious to do it.

They have the facilities to do it, and one reason why many of them want to do it is to pay the Federal Government what they owe it.

I think that is all there is to this, and, Mr. Chairman, that is all I want to say. I think that is the nut of the coconut. We are here before you asking for that kind of a bill be reported to the Senate. That is all I care to say.

Senator GEORGE. Thank you very much, Senator Norris.

There are three or four witnesses here who have indicated a desire to be heard.

Mr. King, we will be pleased to hear from you.

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

Mr. KING. Mr. Chairman, I will make just a brief statement. I understand the bill now being considered, S. 937, proposes to allocate any deficit which may occur in the quota assigned to the Philippine Islands among the domestic sugar producers in accordance with the percentages established in section 202 of the Sugar Act of 1937.

This act now provides that a deficit in the Philippine quota shall be assigned to foreign countries other than Cuba. When the Sugar Act was being considered by Congress it was contemplated that the amount which might be available for allocation to foreign countries would not be large. There is a difference between the duty-free sugar which the Philippines may ship into the United States and the actual quota prescribed in the Sugar Act. The amount of this difference has been distributed among several foreign countries who have in the past furnished the American market with small amounts of sugar. The law contemplated that this procedure would continue.

The bill provides that any deficit which may occur in the Philippine quotas shall be prorated among domestic producers in accordance with the present percentages. No other procedure can be justified, as the principle of the quota system is the establishment of fair proras among domestic producers based on the past record of production and the capacity to produce, and the necessity for each unit sacrificing some part of its full capacity to adjust total production to consuming requirements. Any effort to modify this principle in the pending legislation constitutes an attempt to change the fundamental principle of the quota system and not merely a reallocation of an anticipated deficit.

I understand this hearing has been specifically restricted to the bill now before this committee. That being so the question of allocation of quotas between the different domestic producers does not arise. I merely wish to point out that in the desire to obtain a larger allocation for certain producing units an attempt may be made to limit the reallocation of the Philippine quota to certain domestic producers at the expense of others. Specifically it has been advanced, in discussions outside of this hearing, that continental producers are deserving of greater consideration than other American producers who happen not to be located on the mainland of the United States. This draws an invidious comparison between American citizens based on geography. I can only say that I have consistently fought against

the efforts to divide the United States into two categories: Continentals and noncontinentals, and I sincerely hope the pending legislation will not sanction such a segregation and differentiation between Americans.

As to the bill, it is a question only of the judgment of the committee as to the necessity and as to the possibility of there being a deficit. The division of the anticipated deficit seems to be equitable. Thank you.

Senator GEORGE. Thank you Mr. King.

Mr. Ernest W. Greene, representing the Hawaiian Sugar Planters Association. Is Mr. Greene in the room?

Mr. GREENE. Yes, sir.

Senator GEORGE. We will be pleased to hear you.

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

Mr. GREENE. Mr. Chairman, and members of the committee: I am Ernest W. Greene. I was for more than 15 years manager of the Waipahu plantation in the Territory of Hawaii, farming about 12,000 acres of sugar land, and I am speaking on behalf of the sugar producers in the Territory.

I feel that the case for this bill has been very well stated by Senator Adams, Delegate King, and others who have appeared, and I would like to request permission of you, Mr. Chairman, merely to file certain statistical exhibits which I have here, taken from official sources, which illustrate certain points in regard to sugar quotas and production affecting the general subject matter of this bill.

Senator GEORGE. You may file it with the clerk or hand it to the stenographer.

(The tables referred to are as follows:)

EXHIBIT 1.—Quota restrictions have reduced the sugar production of the Territory of Hawaii

Year	Beet area, tons sugar ¹		Louisiana, tons sugar ¹		Florida, tons sugar ²		Hawaii, tons sugar ¹	
	As made	Raw-value equivalent	As made	Raw-value equivalent	As made	Raw-value equivalent	As made	Raw-value equivalent
1931.....								
1932.....	1,156,000	1,236,920	157,000	158,360	24,000	24,185	988,612	1,018,047
1933.....	1,357,000	1,451,990	223,000	224,700	42,000	42,324	1,025,354	1,057,303
.....	1,642,000	1,756,940	205,000	206,510	46,000	46,355	1,035,548	1,063,604
Average per year.....	1,385,000	1,481,950	195,000	196,523	37,333	37,621	1,016,505	1,046,318
Minimum quota under Jones-Costigan Act.....		1,550,000		220,000		40,000		
Excess of minimum quota over average production:								
Tons excess.....		88,050		23,477		2,379		
Percent excess.....		4.7		10.7		6.3		
Final quota for year 1934 under Jones-Costigan Act.....		1,556,166		220,874		40,160		• 976,764
Relationship of 1934 quota to average production:								
Excess in tons.....		74,216		24,351		2,539		
Reduction in tons.....								69,554

¹ Production as shown by U. S. Department of Agriculture Yearbook.

² Production as reported by Willett and Gray.

³ Total quota for Hawaii, including local consumption, 28,500 tons, raw value.

EXHIBIT 2.—Domestic sugar production, 10 years, 1931-40

Year	Beet		Louisiana		Hawaii		Puerto Rico		Florida ¹	
	Acreage harvested	Sugar, short tons 96° raw value	Acreage harvested	Sugar, short tons 96° raw value	Acreage harvested	Sugar, short tons 96° raw value	Acreage harvested	Sugar, short tons as made	Acreage harvested	Sugar, short tons 96° raw value
1931.....	713,000	1,237,000	169,000	160,000	137,037	1,018,047	279,165	783,163	13,100	24,000
1932.....	764,000	1,452,000	208,000	223,000	139,744	1,057,303	293,953	992,335	12,600	37,000
1933.....	983,000	1,757,000	197,000	209,000	144,959	1,063,605	300,071	816,337	14,400	41,000
1934.....	770,000	1,241,000	222,000	239,000	134,318	959,337	350,126	1,103,822	13,800	28,000
1935.....	763,000	1,263,000	239,000	341,000	126,116	986,849	299,384	773,021	14,100	42,000
1936.....	776,000	1,395,000	227,000	386,000	130,828	1,042,316	299,804	926,344	16,600	51,000
1937.....	755,000	1,378,000	254,000	405,000	126,671	944,382	300,951	996,303	19,400	57,000
1938.....	930,000	1,803,000	270,000	491,000	135,978	941,293	300,567	1,077,149	24,300	92,000
1939.....	917,000	1,758,000	236,000	434,000	138,440	994,173	.....	851,969	20,100	70,000
1940 ¹	921,000	1,850,000	227,000	242,000	136,417	976,677	.....	1,099,840	29,800	116,000

¹ Preliminary.

² Hawaii: Years 1931-33, inclusive, reported by crop year, commencing Oct. 1. Years 1934-40, inclusive, reported by calendar year. Production Oct. 1 to Dec. 31, 1933, 127,317 short tons 96° raw value.

³ Crop year.

⁴ Virgin Islands average production, 10 years, 4,410 short tons sugar as made. No production, 1940.

Source: Agricultural Statistics, 1940; Crop Reporting Board, U. S. Department of Agriculture.

EXHIBIT 3.—*Sugar beets and beet sugar: acreage, yield, production, and season average price per ton received by farmers, by States, average, 1929-38, annual 1939 and 1940*

	Sugar beets (in States where grown)										Beet-sugar production ¹		
	Acreage harvested			Yield per acre			Production			Price per ton, 1938	Average, 1929-38	1939	1940 ²
	Average, 1929-38	1939	1940 ²	Average, 1929-38	1939	1940 ²	Average, 1929-38	1939	1940 ²				
	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>Dollars</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>
Ohio.....	32	47	41	8.4	7.7	8.8	258	363	361	5.84	30	42	41
Michigan.....	99	120	114	7.9	8.6	8.8	792	1,033	1,004	6.08	118	162	161
Nebraska.....	71	69	70	12.6	11.4	13.0	897	790	910	4.07	116	106	111
Montana.....	58	74	85	12.0	12.1	13.6	700	894	1,156	4.57	99	140	166
Idaho.....	51	73	72	11.3	13.5	15.7	600	985	1,128	4.43	88	127	142
Wyoming.....	46	49	47	12.0	11.0	13.5	552	539	634	4.35	90	92	91
Colorado.....	182	145	140	12.4	10.6	14.5	2,218	1,543	2,034	4.17	332	262	310
Utah.....	48	53	48	12.5	12.9	10.5	602	683	506	4.43	88	100	73
California.....	107	166	173	13.0	16.3	16.1	1,418	2,707	2,791	4.86	231	453	448
Other States.....	98	121	131	8.9	10.3	11.0	870	1,244	1,445	4.68	108	159	186
United States.....	792	917	921	11.3	11.8	13.0	8,937	10,781	11,969	4.74	1,300	1,643	1,729

¹ Includes some sugar manufactured from beets and beet molasses originating in other States.

² Preliminary.

Source: Agricultural Statistics, 1940; Crop Reporting Board, U. S. Department of Agriculture.

EXHIBIT 4.—*Cuban and Philippine sugar production, 1931-40*

Cuba			Philippines		Cuba			Philippines	
Year	Acreage harvested	Sugar, short tons as made	Acreage harvested	Sugar, short tons as made	Year	Acreage harvested	Sugar, short tons as made	Acreage harvested	Sugar, short tons as made
1931.....	1,145,000	2,916,807	457,567	1,100,214	1936.....	1,446,000	3,374,524	436,218	1,117,817
1932.....	1,138,000	2,233,544	512,337	1,294,986	1937.....	1,444,000	3,379,845	453,043	1,054,631
1933.....	1,639,000	2,526,573	559,360	1,597,949	1938.....		3,091,129	415,921	978,845
1934.....	1,525,000	2,842,502		700,311	1939.....		3,127,942		1,026,010
1935.....	1,527,000	2,863,676		978,865	1940.....		3,154,437		1,044,966

Sources: Years 1930-39, inclusive, Agricultural Statistics, 1940 U. S. Department of Agriculture; Cuba, 1940, Lamborn Sugar Market Reports; Philippines, 1940, estimated by Philippine Sugar Association.

EXHIBIT 5.—Final sugar quotas and charges against quotas 1934-40 (short tons, raw value)

Area	1934		1935		1936		1937		1938		1939 ¹		1940 ²	
	Quotas	Charges	Quotas	Charges	Quotas	Charges	Quotas	Charges	Quotas	Charges	Quotas	Charges	Quotas	Charges
Domestic beet.....	1,556,166	1,561,547	1,550,000	1,478,163	1,342,179	1,364,442	1,417,009	1,245,195	1,584,083	1,448,027	1,566,719	1,609,652	1,549,898	1,549,837
Mainland cane.....	261,034	268,384	260,000	318,970	392,016	409,302	472,337	490,916	429,434	448,961	424,727	586,520	420,167	403,563
Hawaii.....	948,264	948,264	925,969	926,855	1,032,812	1,032,845	984,210	985,031	922,082	905,572	948,218	966,288	938,037	940,511
Puerto Rico.....	807,312	807,381	788,331	793,177	909,445	907,238	897,063	896,340	815,582	815,294	806,642	1,125,845	797,982	796,316
Virgin Islands.....	5,304	5,121	5,179	2,330	3,696	3,696	10,023	7,841	3,923	3,924	9,013	5,566	8,916	.....
Philippine Islands.....	1,005,602	1,088,142	981,958	916,674	1,000,829	985,416	998,499	991,020	991,020	981,146	981,912	979,583	982,441	981,034
Cuba.....	1,866,482	1,866,482	1,822,596	1,829,934	2,102,607	2,102,281	2,148,951	2,155,218	1,953,759	1,940,823	1,932,343	1,930,158	1,749,744	1,750,152
Foreign countries other than Cuba.....	25,836	29,750	25,228	10,977	29,103	29,024	114,641	89,155	80,683	75,114	85,812	62,021	24,177	17,400
Total.....	6,478,000	6,575,071	6,359,261	6,277,080	6,812,687	6,834,244	7,042,733	6,860,716	6,780,566	6,618,861	6,755,386	7,465,633	6,471,362	6,440,813
DIRECT CONSUMPTION QUOTAS AND CHARGES⁴														
Hawaii.....	26,616	15,164	29,616	18,737	29,616	21,029	29,616	23,223	29,616	14,783	29,616	14,498	29,616	9,630
Puerto Rico.....	126,033	100,173	126,033	127,494	126,033	126,583	126,033	126,045	126,033	123,324	126,033	148,911	174,963	174,963
Philippine Islands.....	80,214	71,295	80,214	78,471	80,214	62,853	80,214	68,434	80,214	66,187	80,214	75,683	80,214	59,663
Cuba.....	410,626	414,768	400,971	401,142	462,573	442,832	375,000	382,605	375,000	374,902	375,000	361,636	375,000	375,000
Total.....	648,489	601,400	636,834	625,844	698,436	653,297	610,863	600,307	610,863	579,196	610,863	600,728	659,813	619,336

¹ For 1939 the amounts marketed or entered are shown. Quotas were suspended Sept. 11, 1939.

² Preliminary.

³ Quota less the deficiency determined by the Secretary.

⁴ Included in total charges against quotas.

Source: Sugar Division, Agricultural Adjustment Administration.

Mr. GREENE. I might say, briefly, that mention has been made of the restrictions and sacrifices in various areas, and exhibit 1 illustrates the fact that we in Hawaii, as domestic producers, fellow Americans, with other domestic producers, have also shared in this restriction and have had it imposed on us constantly since the inception of the quota system in 1934. So, with that qualification, our acreage has been reduced, our production has been reduced.

Senator GEORGE. The acreage has been reduced this year?

Mr. GREENE. Not this year, sir. It was reduced at the inception of the quota system, and we have followed, with our 2-year crop cycle, the production that would fit the anticipated quota. It has been a persistent reduction rather than something that has occurred just this year.

Senator TAFT. How does it occur that there has been a reduction in beet-sugar acreage and not in cane-sugar acreage?

Mr. GREENE. There was a period of several years in the quota system when the beet area did not quite produce the quota. Naturally, various people produced more to bring it up to the quota. I have great sympathy with the beet people and would prefer to have them explain that, but it is not exactly germane to the subject matter of this bill. There is a perfectly valid reason for that. My statement did not question the fact that they were being reduced, and it did not alter my great sympathy for their problems. At this time I merely want to point out if that is a partial qualification for this very equitable distribution of any increase which may fall to the domestic producers, that we also have our qualification in the way of reduction to receive our equitable share in any such increase in allotment.

Senator GEORGE. Thank you very much, Mr. Greene.

Mr. J. A. Dickey.

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

Senator GEORGE. Mr. Dickey, you are here representing the Association of Sugar Producers of Puerto Rico, I believe?

Mr. DICKEY. [Yes, sir.

Senator GEORGE. You may make such statement on this pending bill as you care to.

Mr. DICKEY. I would like to make a brief statement, Senator, and then file a brief concerning the Puerto Rican situation.

I would like to say, Senator, that we are very much in favor of this bill, for the simple reason that we are forced to leave in the field this year 150,000 to 200,000 tons of sugarcane. That is a very severe penalty upon Puerto Rico, because the island is more dependent upon sugar than any other sugar-producing area. In fact the whole island is more dependent upon sugar than any county or any parish in the States. When we have to leave in the field 150,000 tons of sugar it is a very serious situation, affecting the Government's revenue, the employment situation, and the income of the people.

We never felt, Mr. Chairman, that Congress ever intended, in the reallocation of deficits of this type, that the deficit should be given to any but domestic areas. No one could foresee, when the bill was passed, that such a situation as this would arise. Fortunately, we have time, it seems to me, to correct the inequalities of the bill which,

as it now provides, permits reallocation to foreign areas of any unfilled Philippine quota when all the domestic areas are so badly in need of employment, and so badly in need of income from sugar. I feel if we permit this thing to become a practice, that is, reallocating deficits from other areas to other than domestic areas, then you are, in effect, freezing the domestic industry, and we may never get away from that practice once it is established.

So we are faced with a crisis not only in supplying this country with sugar, but also so far as the whole sugar policy is concerned. That is we are up against the policy of freezing the domestic industry to a fixed quota, unless the Congress is willing to amend the act to allow the domestic areas to participate in any quotas that any area cannot supply. In so doing you are not in any way penalizing any other area. You are simply making available sugar to the domestic areas, which I think the Congress originally intended that they should have but could not anticipate nor foresee at the time the act was passed, the situation which has arisen that may now divert the Philippine sugar to foreign areas. You have an opportunity to correct this situation before it becomes too late. Too, unless it is reallocated you have, in effect, set up a system of freezing a domestic industry to about where it is now. So we, in Puerto Rico, are in favor of the proposed amendment. It seems fair to everybody. It does not hurt anybody, and proposes to give to those areas that are so badly in need of sugar production some opportunity to increase their employment and some opportunity to provide the necessities of life of the people who are engaged in agriculture.

So, Mr. Chairman, that is all I have to say.

May I be permitted to submit further data in this matter?

Senator GEORGE. You may do so, and hand it to the clerk of the committee or to the reporter if you have it prepared.

The data referred to is as follows:)

STATEMENT OF J. A. DICKEY OF THE ASSOCIATION OF SUGAR PRODUCERS OF PUERTO RICO

The production of sugar in Puerto Rico under the sugar control legislation has been reduced from a crop of nearly 1,200,000 tons of sugar at the time the act went into effect to 906,000 tons for 1941, or a reduction of nearly 25 percent. With the island dependent almost entirely upon sugar for its existence, a reduction of approximately 25 percent from the previous level of production severely cripples the entire economy of the island. It adds to the already burdensome unemployment problem and reduces government revenue.

Moreover, the island this year will be forced to leave between 150,000 and 200,000 tons of sugar in the field unharvested in order to come within its quota. This means a tremendous loss of employment and income to the island.

In view of the heavy cost to taxpayers to support the island's large burden of relief, it would seem to be a sound policy to allow Puerto Rico and the other domestic areas to share in any deficit of the Philippines resulting from a lack of shipping facilities. Any increase in quota that Puerto Rico can get from this source would mean an improvement in working conditions and a reduction in the heavy cost of relief and unemployment on the island without injuring producers in other areas. Accordingly, it seems only fair and reasonable that any quota available from other areas should first be utilized to the advantage of the domestic areas.

It is obvious that Congress never intended that any large amount of quota should be given to foreign areas other than Cuba. In fact, under the law itself, less than 1 percent of the sugar consumed in the United States comes from foreign areas other than Cuba. It is equally as obvious that the provisions of the law which permit any deficit from the Philippines to be transferred to other foreign areas was intended to take care of deficits resulting from adverse weather and

other conditions which might result only in a small deficit. However, Congress could not foresee at the time the Sugar Act was written that so far-reaching an emergency might develop as a result of the war that large quantities of sugar from any area might not be available to the continental market. It is also obvious that Congress did not intend that unfilled quota resulting from a major catastrophe should be diverted to foreign areas. It is therefore logical that Congress should amend the act to prevent the diverting to foreign areas of sugar which can be and, in fact, is already produced by domestic areas. By amending the act as proposed in S. 937, Congress can still carry out its original purpose of prorating domestic sugar requirements largely among domestic sugar producers.

Practically all domestic areas have on hand sugar in excess of their marketing quota and are forced to carry this sugar at a considerable expense as well as a loss and deterioration in the sugar itself. Moreover, many of the domestic areas are being forced to reduce their plantings in 1941 because of the surplus sugar now on hand. With this surplus of sugar on hand and workers in the field and factory being forced into idleness there seems to be no justification for not permitting the domestic areas to use any unfilled quota to provide work and employment for thousands of mill and farm workers.

Puerto Rico stands ready and anxious to contribute its full measure to meet any emergency which threatens the supply of so vital a food necessity as sugar. In fact, prior to the lapsing of the quotas on September 11, 1939, Puerto Rico was the only domestic area which had consistently filled its entire quota in every year under the control program, thereby indicating its ability to produce. The island at present is carrying a large surplus of sugar in its warehouses. In addition, it is forced to leave in the field unharvested another 150,000 to 200,000 tons of sugar. In view of the fact that the island depends almost solely upon sugar as a means of providing itself with the necessities of life, it would seem unfair to deny the island the opportunity to share in the deficit of any area which by reason of the war situation is unable to fill its quota.

Under existing conditions, it is obviously to the national advantage for the United States to maintain its sugar supply as closely controlled and accessible as possible. The domestic sugar producing areas as a group represent the most readily accessible source of available sugar. In view of these facts, and in view of the hardships already imposed upon Puerto Rico and certain other domestic areas through stringent restrictions on production, we are in favor of the adoption of S. 937.

Senator GEORGE. Is Mr. C. J. Bourg in the room?

Do you wish to make a statement or do you want permission to file a statement?

STATEMENT OF C. J. BOURG, REPRESENTING THE AMERICAN SUGAR CANE LEAGUE AND THE FARMERS & MANUFACTURERS BEET SUGAR ASSOCIATION, SAGINAW, MICH.

Mr. BOURG. We would like permission to file a statement.

Senator GEORGE. On behalf of the American Sugar Cane League?

Mr. BOURG. Yes; and the Farmers & Manufacturers Beet Sugar Association.

Senator GEORGE. You are representing the producers?

Mr. BOURG. Yes, sir.

Senator GEORGE. You may file your statement with the clerk, unless you wish to make an oral statement.

Mr. BOURG. No, sir.

(The statement referred to is as follows:)

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

The American Sugar Cane League, composed of a paid-up membership of 9,671 sugarcane growers in the State of Louisiana, is in favor of the Adams bill (S. 937) which proposes that if the Secretary of Agriculture should determine that the Philippine Islands will be unable to deliver their quota, the deficit shall be allocated proportionately among domestic sugar areas.

The Sugar Act now provides that any Philippine deficit shall be allocated to "foreign countries other than Cuba." The history of that provision in the law originated in the fact that the Sugar Act of 1937 allotted to the Philippine Islands a basic quota of 1,029,000 short tons, raw value. The Philippine Independence Act provides that there may be brought each year into the United States from the Philippines free of tariff duty 850,000 long tons of sugar. This duty-free limitation averages out, in round numbers, to 982,000 short tons, raw value. Since 1934 the Filipinos have adopted the policy of exporting to the United States only the sugar which can be entered free of tariff duty; therefore, in 1937 the Philippine deficit was expected to amount annually to about 47,000 short tons, raw value, which the Secretary of State at that time insisted should be made available for distribution among pan-American countries. The tonnage being relatively small in comparison with the basic consumption total of 6,082,670 tons, and the proposal on the Philippine deficit being a part of a series of compromises under consideration in connection with the sugar bill, the provision was adopted by Congress.

Conditions have changed since 1937, however. For instance, in 1940 the Secretary of Agriculture did not determine that there was a Philippine deficit and it follows that there was no reallocation to "foreign countries other than Cuba" last year. But this year there is prospect that the Filipinos may be unable to bring into the United States any sugar at all after April, or after any aggravation in the war threats involving the Pacific Ocean. The Philippine deficit for 1940 is now envisaged by the sugar trade as possibly amounting to 500,000 tons or more. The freight rates on sugar from the Philippines have gone up more than 400 percent, and the shipping reports are that there are no cargo vessels to be had. It may be that the United States Maritime Commission, through its Division of Emergency Shipping which is handling ocean-freight priorities, will include sugar as one of the items to be given preference. It is well known that the Division has been working very closely with the national-defense agencies for the purpose of importing strategic materials. However, as far as shipping facilities are concerned the market has issued reports that no commitments for cargo space can be secured beyond April.

The Adams bill may properly be said to be an emergency measure. It would definitely guarantee that the American consumers will continue to be able to secure sugar at reasonable prices, regardless of rising ocean freights and the scarcity of boats. It must not be overlooked that the freight rates on Cuban sugar have also risen from a normal 12 cents to an asking rate of 42 cents. Similar increases necessarily apply to foreign countries other than Cuba. Consequently, the change in the Sugar Act proposed by the Adams bill would make available additional supplies of domestic sugar now warehoused in the United States, which can be moved readily into interstate commerce without being exposed to the hazards of ocean traffic or to the increasing costs of freight and insurance to which all imports are now subject.

Considering the situation from the standpoint of the United States beet sugar area and the mainland cane area, they have supplies of sugar which can be furnished to the market immediately in sufficient quantity to replace any Philippine deficit. As this comes about, the stocks of continental sugar currently on hand would be consumed at the rate and in such volume as to insure a relatively small carry-over inventory into 1942. This would mean that the proportionate-share acreage for 1942, to be allotted sugarcane farmers and sugar-beet growers, could be increased over 1941 and probably brought back to the normal levels of 1938 acreage.

The Secretary of Agriculture has pointed with pride and satisfaction in his annual report to the creation of an "ever-normal granary" in domestic sugar. The supplies of domestic sugar which exist in the United States today, over and above quota requirements, are said to have been built up in order to protect the consumers against shortages of sugar as an essential food in national defense. It would be an absurd contradiction of Federal policies if now that there may be a deficit from a normal source of supply (the Philippine Islands), the consumption requirements in the United States were to be made up from sugar surpluses in foreign countries. The sugar produced in the United States was produced for consumption in the United States. The sugar produced in foreign countries was produced for export to Europe and other foreign markets.

The domestic sugar industry has been examining the record to see to what extent the "foreign countries other than Cuba" have availed themselves of Philippine deficits in past years. According to the reports of the Department of Agriculture, the deliveries from such foreign countries under the Sugar Act of 1937 have been as follows:

Foreign countries other than Cuba

[Short tons, raw value]

Year	Philippine deficits officially determined	Final quotas	Deliveries charged against quotas	Percent of charges against quotas
1937.....	86,805	114,641	89,155	77.77
1938.....	53,883	80,683	75,114	93.10
1939.....	59,111	85,812	62,021	72.28
1940.....	None	24,177	17,400	71.97

The President having suspended sugar quotas on September 12, 1939, there were no quota restrictions on the importation of sugar from foreign countries from September 12 to the end of 1939. Yet, the foreign countries other than Cuba only brought in less than 73 percent of what would have been their final quota, despite the fact that the United States market was wide open to their sugar.

On the basis of experience, therefore, the record demonstrates that these foreign countries have not been dependable or usual sources of sugar supply for the United States. On the contrary, they have repeatedly failed to avail themselves of the quota allotments they have been given in the past.

It would be the understanding of the American Sugar Cane League that the primary considerations, in connection with sugar supplies and sugar prices, are the protection of United States consumers and the protection of the United States farmers who grow sugarcane and sugar beets. The facts are plain that domestic producers are in a position to furnish consumers with their full quotas of sugar at reasonable prices, in addition to any deficit which might be transferred from the Philippines to such domestic producers. To depend upon other foreign countries for sugar, which cannot reach the United States from the Philippines because of mounting freight costs and the lack of shipping space, is to expose American consumers to the higher prices which must naturally come from similarly increasing ocean freight and insurance rates and the increasing scarcity of ships in which sugar may be transported from any foreign country. It is perfectly obvious that domestic sugar produced and warehoused in the United States is not subject to those hazards either as to supplies or as to price. The conclusion is inescapable that it is to the best interests of American consumers and of American farmers that the Philippine deficit should be allotted by law to domestic areas.

Senator GEORGE. I have no other list of witnesses. Are there any other witnesses in the room who desire to be heard?

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

Senator GEORGE. For whom do you appear, Mr. Bunker?

Mr. BUNKER. I appear for the Domestic Cane Sugar Refiners, Mr. Chairman.

Senator GEORGE. The refiners?

Mr. BUNKER. Yes; I would like permission to file a statement, if I may, in opposition to the amendment, S. 937, which prejudices our industry, and we feel permits the expansion of one group at the expense of the refining industry, and therefore prejudices employment in our industry.

Senator GEORGE. Did you wish to make a statement at this time, an oral statement at this time?

Mr. BUNKER. No, sir; I would rather file a statement, if that is satisfactory.

Senator GEORGE. You may file the statement. Give it to the stenographer, if you would rather file a statement than make an oral statement at this time.

Mr. BUNKER. Yes, sir; that is satisfactory to me.

Senator GEORGE. You may furnish the statement to the reporter or to the secretary of the committee to go into the record.

Senator JOHNSON of Colorado. May I ask him one question, please, Mr. Chairman?

Senator GEORGE. Yes.

Senator JOHNSON of Colorado. What are the sources now from which you derive raw sugar for your refining operation?

Mr. BUNKER. We derive raw sugar from Hawaii, Puerto Rico, Cuba, the Philippines, a small amount from other foreign countries, and from Louisiana and Florida cane production.

Senator JOHNSON of Colorado. How will this bill change the source of your raw sugar supply from these areas?

Mr. BUNKER. It will reduce the amount of raw sugar for refining in the United States, Senator, because it will transfer a deficit in the Philippine quota, and under the terms of the bill if the Philippines were shut off entirely it would transfer the entire Philippine quota to the domestic areas, and to the extent that it increased beet marketings it would decrease refined sugar production in my industry. We are limited, under the terms of the law, from purchasing our raw supplies except from specified areas and in specified amounts. In other words, we are not free to purchase raw sugar anywhere to supplant what would be transferred from cane to beet.

Senator JOHNSON of Colorado. Yes; but this bill, this amendment does not propose to give all of the deficiency from the Philippine Islands to the beet areas, it gives some of it to Hawaii and Puerto Rico.

Mr. BUNKER. That is correct, Senator, but if the Philippine quota, which is roughly 1,000,000 tons, were all redistributed the beet industry would secure something over 400,000 tons, which would come out of the volume which the refining industry now has.

Senator JOHNSON of Colorado. Beet sugar has to be refined just as cane sugar has to be refined. You are speaking for one group of refiners against another group.

Mr. BUNKER. I am speaking for the cane sugar refining industry. Our volume, under the Sugar Act of 1934 and 1937, was established at about the minimum, 1,000,000 tons less than we refined in 1926. The other quotas for the other groups were established pretty close to the top on the basis of the recent marketings, that is, prior to 1934. So that we are operating at about 60 percent of capacity, and have, ever since the inception of the quota law, had what amounts to practically a minimum volume for us. Any decrease in that volume will increase our costs, reduce our employment and probably reduce our level of wages.

Senator TAFT. You are protected against the refining of Philippine and Hawaiian cane sugar?

Mr. BUNKER. We are under the quota law. Those quotas for insular refining, Senator, were fixed at their then maximum figure, when the 1934 act was passed. In other words, there was no reduction, but there was no expansion. It was at the maximum figure. Ours was fixed at about 60 percent of our maximum figure.

Senator TAFT. Are a good many of these other sugars that come in, or that would come in, in place of the Philippine sugar, if the law is not changed, refined sugars?

Mr. BUNKER. I think they would come in here largely in raw form.

Senator VANDENBERG. Where do you expect to get them from? Suppose this amendment is not passed, where do you think you would get the 400,000 tons from to refine in your refineries?

Mr. BUNKER. Under the law as it stands now it would come from foreign countries, other than Cuba.

Senator VANDENBERG. Where would you get it from?

Mr. BUNKER. We would get it in Santo Domingo, we would get it in Peru, and other Central American countries. There is an ample supply of sugar. In fact, because of the European situation there are now surpluses in the Western Hemisphere, in the Latin-American countries.

Senator VANDENBERG. In other words, you would transfer a surplus created down there by the European situation, you would transfer that to the United States and subsidize the Central and South American surplus at the expense of the American producer for the sake of getting a little more refined sugar into your own refinery?

Mr. BUNKER. No; it would not give us any more, it would give us exactly what we have now. It would not be subsidized. On the contrary, it would pay the full duty of \$1.87½ and therefore reimburse the Treasury.

Senator VANDENBERG. I used the word "subsidy" in the sense you would penalize the American producer.

Mr. BUNKER. As a matter of fact, under this proposed amendment, I think if the Philippine quota were not sent here it would be a substantial burden, of course, on the Treasury, because it would lose the duty on the sugar which would come here now under the present Act, and would provide also for the benefit payments. Say that the duty, the full duty, is \$37.50 a ton, it would amount to some \$37,500,000, and the benefit payments of 50 cents a hundred would be another \$1,000,000.

Senator JOHNSON of Colorado. How much tariff has Philippine sugar been paying?

Mr. BUNKER. Philippine sugar has not been paying tariff.

Senator ADAMS. Mr. Chairman, may I make a statement in connection with that?

Senator GEORGE. Yes.

Senator ADAMS. The Philippines have a tax-free quota under the Independence Act of 850,000 long tons, which I think translates into about 952,000 short tons.

Mr. BUNKER. That is right.

Senator ADAMS. Then it has under the Sugar Act a percentage which would give it an additional amount of perhaps 75,000 tons which would be taxable.

Mr. BUNKER. That is right.

Senator ADAMS. That is the amount which would be taxable.

Mr. BUNKER. That is right. I am not saying that the Philippines were paying any tax; I just said that sugar would not pay duty, Senator, if it were allocated to domestic areas, and I am saying as the act is now drawn if the Philippine deficit is reallocated to foreign countries other than Cuba those countries would pay the full duty.

Senator ADAMS. Yes; also the people who have been interested in the Sugar Act have gone to a very great extent to protect the refiners by putting over a vigorous protest to the administration on the limitation of the amount of refined sugar that has come from Hawaii and

Puerto Rico. We have been threatened by vetoes. We have had the attempt of the Secretary of Agriculture and Secretary of the Interior to protect the refiner, and the first time the opportunity comes in here for the sugar-beet farmer, who has been standing behind and protecting the refiner—a mere matter which will not exceed 35,000 tons—we find the refiner coming in here fighting the very people who have protected him, and you want the sugar turned over to foreign countries where there is no limitation on the amount of refined sugar that can come in, you want to take the Philippine quota and send it to any place other than Hawaii and Puerto Rico, and they can bring it all in refined if they see fit.

Mr. BUNKER. My point is that this fundamentally changes the quota principles which were established in 1934 and 1937. I think if it is going to be changed it should be considered in connection with new sugar legislation, because it is a very fundamental change, as far as we are concerned. The law expires this year.

Senator ADAMS. Here is a crisis in the sugar-beet area. They are going to plant their seed within 2 or 3 weeks. It simply means the destruction of thousands of beet sugar farmers if some relief is not afforded them. It is perfectly proper to work out your fundamental things, but here is an emergency, here is an effort, by a temporary measure, to afford some relief to American citizens whose lives and whose families depend on the beet-sugar industry.

Mr. BUNKER. Senator, my theory is it will not be temporary. If this law is amended now and then the law is extended, that will be part of the permanent sugar law. I think it should be reexamined. We have had some difficulty, it seems to me, in arriving at legislation which was reasonably satisfactory.

Senator NORRIS. Mr. Chairman, may I ask the gentleman a question, if he is willing?

Mr. BUNKER. Yes.

Senator GEORGE. Yes, Senator.

Senator NORRIS. Do you refine Hawaiian sugar and Puerto Rican sugar?

Mr. BUNKER. Yes, sir.

Senator NORRIS. Well, assuming that the supply of sugar from the Philippines is either cut off or greatly diminished and the increase coming from Hawaii and Puerto Rico would provide for that decreased supply from the Philippines, would not that increase your business? Would that not increase your business to that extent?

Mr. BUNKER. No, sir.

Senator NORRIS. Why?

Mr. BUNKER. Because, Senator, the round figures of 1,000,000 tons of sugar which we get from the Philippines, with the exception of 50,000 tons, come here as raw sugar, raw cane sugar to be refined in this country. To the extent that the Philippine raw sugar is reallocated to the beet industry it decreases our volume.

Senator NORRIS. I see that, but there is going to be some reallocated to Hawaii and Puerto Rico.

Mr. BUNKER. That is merely a transfer, not an increase.

Senator NORRIS. That means more sugar coming in.

Mr. BUNKER. It is merely a transfer of sugar, it is not an increase.

Senator JOHNSON of Colorado. It does not mean less sugar, does it?

Mr. BUNKER. It does mean less sugar to the extent that that reallocation which is made goes to beet sugar instead of to cane sugar, Senator.

Senator NORRIS. There is not anything in this bill that gives it all to cane sugar, to the cane sugar producer, I mean. I do not understand why it does not increase your business. As a refiner, if you would refine sugar from Hawaii, for instance, and you increase the amount, I do not understand why that does not increase your business.

Mr. BUNKER. Senator, perhaps I can make it clear in this way: If, for example, we refine 100,000 tons of Philippine sugar and that is cut off and we get the same amount of sugar from Hawaii, it increases the Hawaii marketing here but it does not increase our volume, it just comes from a different place, that is all.

Senator NORRIS. You refine it. It does not make any difference whether it comes from Hawaii?

Mr. BUNKER. It does not make any difference whether it comes from Hawaii or the Philippines.

Senator NORRIS. But you would get that much more business, would you not?

Mr. BUNKER. We do not get more business, we get the same amount.

Senator NORRIS. If you increase the amount of business that comes from Hawaii and you refine it all, does not that increase your business?

Mr. BUNKER. Not if that much comes from the Philippines.

Senator NORRIS. That may be true. If the sugar coming from the Philippines is cut down, of course business is decreased somewhat, is it not?

Mr. BUNKER. That is right; yes, sir.

Senator NORRIS. But, on the other hand, while that has decreased, the amount of sugar coming from Hawaii and Puerto Rico has increased and that increases your business, does it not?

Mr. BUNKER. Yes, sir.

Senator NORRIS. So that in the operation of this bill now, supposing we do not change it and you do not get anything from the Philippines, you have lost that business, but this bill provides that you shall get increased business both from Puerto Rico and Hawaii. If we did not change it you would not have that increase.

Mr. BUNKER. Yes, sir; if the bill were not changed, if the Sugar Act were left as enacted in 1937 and extended in 1940, if the sugar did not come from the Philippines, under this act it comes from foreign countries, other foreign countries. It would come, as I explained to Senator Vandenberg, probably largely from Santo Domingo and Peru. There would be no change in our volume, it would be neither increased nor decreased. If this amendment is enacted to the extent that the Philippine deficit, in part or all, is transferred to the beet area, it will decrease the volume available for refining.

Senator NORRIS. Yes; that is true.

Mr. BUNKER. And that may run as high as 400,000 tons in another year.

Senator NORRIS. Do you refine Florida and Louisiana sugar?

Mr. BUNKER. Yes, sir; we do.

Senator NORRIS. That would be increased.

Mr. BUNKER. Yes, sir.

Senator NORRIS. If this bill is passed.

Mr. BUNKER. That is right.

Senator JOHNSON of Colorado. Do you want to destroy the beet sugar industry so you can have more business? Is that your program?

Mr. BUNKER. No, sir, it has not been our program.

Senator JOHNSON of Colorado. That is the program you are advocating.

Mr. BUNKER. Senator, I beg to differ with you, because we are not advocating taking anything away from the beet sugar industry.

Senator JOHNSON of Colorado. In your testimony, you are taking it away from them. Their acreage has been decreased already.

Mr. BUNKER. As I see it, the fundamental principle behind the quota law is one of stabilization of the industry. I believe that is why it was enacted in the beginning, and I believe that was what the President advocated in 1934. What happened was that the sugar industry generally, which was in a pretty precarious position at that time, preferred economic security to the right to expand. What they gave up was a right to expand.

Senator GEORGE. You will submit your brief, Mr. Bunker, as I understand it. It is your wish to do so and file it?

Mr. BUNKER. Yes. Thank you, sir.

(The brief referred to is as follows:)

STATEMENT OF ELLSWORTH BUNKER, CHAIRMAN OF THE UNITED STATES CANE SUGAR REFINERS' ASSOCIATION, BEFORE THE SENATE FINANCE COMMITTEE, ON S. 937

The members of the United States Cane Sugar Refiners' Association are engaged in the business of refining raw cane sugar for American household and industrial consumers. The refining industry, with plants located in Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, Texas, and California is the oldest branch of the American sugar business, and today it supplies this country with roughly 67 percent of its sugar requirements. Our employees are almost 100 percent unionized.

The cane sugar refining industry and its employees must oppose S. 937 because it would modify the basic principle of the Sugar Act in that it would drastically reduce production and employment in one branch of the American sugar industry, that is, the cane sugar refineries. We also point out that it would place an added burden upon consumers and the United States Treasury and that it would reverse our national policy of encouraging trade between countries of the Western Hemisphere. And finally, we believe that the bill is contrary to a sound program of national defense.

THE BILL WOULD MODIFY THE PRINCIPLE OF THE SUGAR ACT

The basic principle of the Sugar Act is the stabilization of the entire sugar industry by establishing quotas designed to prevent expansion of any particular sector of the industry at the expense of others, and to bring about reasonable prices for consumers with a fair return to the industry. The essence of the quota system is prevention of expansion. In accepting the system, the respective sectors of the industry sacrifice expansion, in order to obtain security and fair prices.

As members of this committee will recall, when the Sugar Act was originally written in 1934, the controversial question immediately arose as to how the various producing and refining groups were to share under the quotas in the total annual marketing requirements of American consumers. A compromise was finally effected which, in the main, based the division upon the actual marketings of sugar by each group in the 3 or 4 years immediately prior to 1934.

The outstanding result of this formula was that the production of the continental growers of sugar beets and sugarcane was not reduced; they received quotas higher than their average marketings during the base period. On the other hand, some of the raw cane sugar-producing islands, such as Cuba and the Philippines, received quotas substantially less than either their past marketings or their capacity. A negligible tonnage (about one-third of 1 percent of the total American consumption) was assigned to Latin-American sugar-producing countries other than Cuba.

The quota for the continental cane sugar refining industry (i. e., the amount of raw sugar the act permitted the refiners to purchase) was fixed at an amount limiting our refining industry by law to about 60 percent of its capacity, substantially less than the volume handled before the depression. However, its principal competitor, the beet sugar refining industry, was stabilized at about 100 percent of capacity.

In 1937, Congress continued, in the main, the accepted formula for the division of the American market among the various groups. But it took recognition of the fact that the Philippine Islands for various reasons, including the progressive export tax upon their raw sugar, would probably not ship all of their sugar quota. This presented an opportunity to offer Latin-American sugar countries at least a potential share of the American market. Congress, partly at the suggestion, I believe, of the State Department, provided essentially in the Sugar Act of 1937 that if the Philippine Islands did not fill their statutory quota for any reason, then the unfilled portion should be reassigned to Latin American countries other than Cuba. This proviso was in line with our good-neighbor policy and with the International Sugar Agreement signed in London in May 1937, to which the United States, the Philippines, and most of the sugar-producing countries are parties.

From the point of view of the quota system as such, this provision regarding a possible Philippine quota deficit had the important effect of maintaining the quota balance between the quantity of beet sugar which could be grown in continental United States, on the one hand, and the quantity of raw cane sugar that could be brought into the United States for subsequent refining, on the other. It was recognized as possible that the Philippine Islands might not wish or be able in the future to fill their full quota because of the tariff or the progressive export tax upon their raw sugar, as provided for in the Philippine Independence Act, or for some other reason. The raw cane sugar not shipped from the Philippine Islands was to be supplied largely by Latin-American countries other than Cuba. Consequently, if the Philippines failed to fill their quota, the quantity of raw cane sugar which would be available to the cane refiners for melting in any quota year would remain the same. In so doing Congress assured our industry that its greatly reduced volume of output would not be further reduced.

THE BILL WOULD REDUCE EMPLOYMENT IN THE CANE SUGAR REFINING INDUSTRY

The sponsors of S. 937 foresee the possibility that, due to the shipping situation and increased freights, there may be a large Philippine deficit. In this case, sugar shipments to the United States from Latin-American countries would be greatly increased under the present act. Through S. 937, Congress is now requested to change our established sugar policy so as to transfer to the beet industry well over 40 percent of any Philippine deficit. This request is made regardless of the fact that such action would deprive our refineries, and our workmen, of an equivalent volume of business.

The bill constitutes a grave threat to the interest of our employees who even now are only working part time. It is conceivable, though not likely, that the Philippine deficit might amount this year to several hundred thousand tons. Next year, if war conditions become aggravated, it might amount to nearly 1,000,000 tons. In either case the bill, if enacted, would cause a substantial decline in the volume of our business and employment. If we approved the bill, we would be approving a plan to destroy existing jobs and existing plants, not only in our industry, but in all those allied industries supplying us with transportation, equipment, fuel, and supplies. We have no alternative but to oppose it vigorously.

THE BILL WOULD PLACE AN ADDED BURDEN UPON CONSUMERS AND THE UNITED STATES TREASURY

This bill, if enacted, would impose a substantial burden upon consumers and the United States Treasury. In the event of the maximum deficit in the Philippine quota, it would call for an expansion of about 20 percent in the subsidized production of sugar in continental United States. It is our belief that this expansion will result in sugar prices to consumers substantially higher than they have been in recent years. It has been pointed out by the Federal Government on many occasions that the cost of producing sugar in the United States is higher than the cost in tropical areas, and any substantial expansion can come only at greatly increased costs.

In addition to this added burden to consumers, the bill, if enacted, would cost Federal taxpayers up to \$50,000,000 a year. Under the Sugar Act of 1937, if the Philippine Islands do not fill their quota, the sugar will come from foreign countries, and will pay an import duty of about \$37.50 per ton. On a maximum Philippine deficit of something over 1,000,000 tons, the full duty would be in excess of \$37,500,000. S. 937, by transferring any Philippine deficit from foreign countries to domestic areas, would deprive the Treasury of that full-duty revenue. In addition, S. 937 would impose on the Treasury a cash outlay of up to \$12 per ton for benefit payments to all domestic growers, or about \$12,000,000 a year. Thus, the total net burden of S. 937 on the Treasury would be about \$50,000,000 on a 100-percent-quota deficit.

On the basis proposed in S. 937, more than 50 percent of any Philippine deficit would be allocated to the subsidized beet-sugar industry in the western part of the United States and to the cane industries of Louisiana and Florida. Of course these growers and plantation owners would receive a slightly larger gross income, but it is interesting to note that this increased income would be only about 45 percent of the total loss to the Treasury. As shown above, the Treasury would lose about \$50,000,000 a year, whereas such growers would receive a total additional income, including Federal subsidies, of only about \$22,600,000 a year.

If, as the sponsors say, the object of S. 937 is to help continental growers, it would be cheaper for the United States Treasury to make an unconditional gift to such growers of an amount equal to the gross income, including subsidies, which they would receive for the additional crops S. 937 would permit them to grow.

THE BILL WOULD DISCOURAGE THE TRADE OF THE WESTERN HEMISPHERE

In 1937, Congress recognized that the Philippine Independence Act might ultimately work to discourage the shipments of sugar from those islands to the United States. This being the case, Congress saw an opportunity to enlarge our trade with sugar-producing countries in Latin America other than Cuba. It is recalled that these countries had been assigned practically no quota.

This Latin-American trade could be stimulated without harming continental producers because those producers had received a quota equal to their maximum production, and were guaranteed a profitable income upon that production.

Of course, since the war broke out in 1939, the exports of basic raw materials from South America have been drastically reduced as a result of the European blockade, and record-breaking surpluses of sugar have piled up in the Western Hemisphere, as have surpluses of wheat, cotton, and meat. If the Philippine deficit arises, for any reason, the Latin-American countries will, under the present Sugar Act, have an opportunity to find some relief from the excessive sugar surpluses which now depress their economies. The act had led them to expect such relief. But if S. 937 is enacted by Congress, this relief will not be afforded. On the contrary, sugar production under subsidies will be increased in the United States, and the total surplus of sugar in the Western Hemisphere will be enlarged.

The end effect of this will be that one of the major commodities produced in the Western Hemisphere will be further depressed to the detriment of the economic life of North and South America and the Caribbean islands. In addition, the United States will have gone back on its own undertakings as expressed in the Sugar Act of 1937 and the International Sugar Agreement at a moment when our Nation seeks the active support of Latin America in international affairs.

THE BILL IS CONTRARY TO A SOUND PROGRAM OF NATIONAL DEFENSE

Some persons have stated that the enactment of this bill is desirable from the point of view of national defense. Obviously, if this were true, management and labor in our industry could not object to it. If the vital interests of this country demanded the enactment of this bill, we would heartily approve of it. But we sincerely believe that this bill, S. 937, is contrary to a sound program of national defense because it would further burden the Federal Treasury, it would artificially stimulate the further growth of burdensome surpluses in the Western Hemisphere, and it would prevent this country from using low-cost and reliable sources of raw sugar.

There is plenty of sugar available to this country under the quotas, as they are now set up in the Sugar Act of 1937. If the Philippine Islands were not to send their full quota, that quota could be easily filled by Latin-American countries. Recently, the Consumer Commissioner of the National Defense Advisory Commission stated that there was neither an actual nor an impending sugar

shortage, and that the President had " * * * powers to make shipping available where needed."

On January 24 of this year, the Chief of the Sugar Division of the Department of Agriculture stated before the House Appropriations Committee that sugar supplies were ample, and that scarcity prices and rationing were not " * * * in the present picture." These facts are well known to the Government, and they are well known to the sugar trade. At the present time, the price of raw sugar within the American tariff wall, including the tax which reverts to domestic growers as a Federal subsidy, is about 3.80 cents per pound. The price outside of the tariff wall is about 1 cent per pound. This substantial spread between the domestic price and the world price is dramatic proof of the fact that the world and the Western Hemisphere have an overabundance of sugar.

If there ever is a time when there is not sufficient sugar in the United States, the effective way to meet that situation would be to terminate, or at least suspend, the quota system and allow sugar to enter this country without restriction. S. 937 would do just the opposite; it would place new and bigger obstacles to the flow of sugar into this country.

THE BILL WOULD DESTROY PART OF AN EXISTING AMERICAN INDUSTRY

Because of the drastic consequences this bill would have for one branch of the American sugar system, S. 937 by itself might well be considered to be of doubtful constitutionality. While Congress has the power to regulate commerce, the Supreme Court holds that such regulatory power is subject to the limitation that its exercise must not infringe upon some other constitutional prohibition. The proposed bill would, in the event of a substantial Philippine deficit, arbitrarily deprive an efficient and long-established industry, the continental sugar-refining industry, of the right to obtain an equivalent amount of raw sugar from other sources, in lieu of the raw sugar previously furnished by the Philippine Islands. By transferring approximately 40 percent of any unshipped Philippine quota to the beet sugar industry, the bill would prohibit cane sugar refiners from obtaining raw cane sugar in equivalent amount. Under the conditions prevailing in the cane sugar refining industry, that prohibition might force the closing and liquidation of certain refineries. Such a result, brought about by a bill of this type, would not, it seem, be a reasonable and constitutional regulation of commerce, but rather a denial of the right to continue a lawful business, and therefore a deprivation of property without due process of law, violative of the fifth amendment.

The original quota system is very drastic in limiting our refining industry to 60 percent capacity operation, and confining its purchases to specific raw sugar sources. S. 937 now proposes to cut off one of those sources of supply without giving our industry the right to obtain the equivalent raw sugar elsewhere. We think such procedure unfair and constitutionally indefensible.

Our industry has stated on many occasions that it stands ready to cooperate with the Government in the development of sugar legislation which will afford domestic sugar producers adequate protection. But we have stated, and we must state again, that we oppose the quota system if that system is modified or manipulated in such a way as to reduce the output and employment in our refineries in order to promote the subsidized expansion in another sector. S. 937 is the most drastic proposal to reduce the shipments of raw sugar to this country for subsequent refining that has been placed before Congress since 1934.

We respectfully suggest that, in any event, changes of this sort should not be proposed piecemeal. The Sugar Act expires December 31, 1941. The question of extension will soon arise. Amendments or changes in the act should be considered as a whole so that Congress may see the whole problem and deal with it as such. We believe that any particular amendment to the act cannot fairly be divorced from consideration of other amendments, or from the fundamental question of its extension.

Senator RADCLIFFE. Mr. Chairman, I have received telegrams from Mayor Howard Jackson of Baltimore, and Mr. J. L. Benson, of that city, regarding S. 937 and I request that they be inserted in the record.

Senator GEORGE. You may insert them.

(The telegrams referred to are as follows:)

[Western Union]

BALTIMORE, MD., March 17, 1941.

HON. GEORGE L. RADCLIFFE,
Senate Office Building, Washington, D. C.:

The nonpartisan committee for defense of Baltimore's cane sugar refining industry which I appointed last year in connection with sugar legislation is opposed to passage of bill S. 937 and request your aid in maintaining present law.

HOWARD W. JACKSON, *Mayor.*

[Western Union]

BALTIMORE, MD., March 17, 1941.

Senator GEORGE L. RADCLIFFE,
Senate Finance Committee, Senate Office Building, Washington, D. C.:

We understand that the Senate Finance Committee will tomorrow conduct hearings on S. 937, the proposed amendment to the Sugar Act. We in Maryland are opposed to this and similar bill because they would prevent quantities of raw sugar from coming here and reduce the volume of production in Maryland. This bill is only for the benefit of the beet-sugar industry. We hope that you will, if possible, represent us at the hearing or that you will incorporate this statement for the record.

Respectfully,

J. L. BENSON,
*Chairman Nonpartisan Committee for the Defense of
Baltimore's Cane Sugar Refining Industry.*

Senator GEORGE. Are there any other witnesses who desire to be heard?

STATEMENT OF NEIL KELLY, REPRESENTING THE UNITED STATES BEET SUGAR ASSOCIATION

Mr. KELLY. I would like permission to file a statement on behalf of the United States Beet Sugar Association.

Senator GEORGE. You may prepare it, Mr. Kelly, and file it with the clerk of the committee. It will be included in the record.

(The statement referred to is as follows:)

STATEMENT OF THE UNITED STATES BEET SUGAR ASSOCIATION WITH RESPECT TO S. 937 BEFORE THE SENATE FINANCE COMMITTEE

This statement is submitted on behalf of the United States Beet Sugar Association in support of the Adams-O'Mahoney bill, S. 937, which proposes to allot to domestic sugar-producing areas any deficits in the quota for the Commonwealth of the Philippine Islands. The membership of the association is composed of the processors of sugar beets who manufacture 85 percent of all beet sugar produced in the United States.

Enactment of the Adams-O'Mahoney bill holds promise of extending at least some degree of temporary relief to the beet-sugar industry, now burdened with excessive stocks of sugar and facing a reduction of 17 percent in acreage for 1941. On January 1 of this year, the industry had an inventory of 1,754,879 tons of sugar. Its quota for 1941, the amount of sugar which it will be legally permitted to sell, is 1,589,100 tons. The result is that the industry will be forced to carry over into 1942 more than 165,000 tons of sugar produced from the 1940 crop, in addition to the full production from the crop which will be planted this spring and harvested next fall. Since the industry would normally market in the last few months of the year about 350,000 tons of sugar out of this fall's production, it means that there is an existing surplus of beet sugar of approximately 515,000 tons.

These abnormally large stocks of beet sugar were not created by overplanting, or by any violation of the provisions of the Sugar Act. On the contrary, they were accumulated in strict compliance with rules and regulations prescribed by the

Secretary of Agriculture. The surpluses having accumulated under the act, it is only reasonable that some lawful method be found to relieve conditions which are certain to bring about the closing of factories, the loss of employment, and a reduction in the income of beet farmers.

There are only three possible objections to the bill. (1) That it violates the spirit, if not the letter, of the World Sugar Agreement; (2) that the allotment of the Philippine deficit to domestic areas rather than to foreign countries other than Cuba, would impair the foreign trade of the United States; and (3) that the reallotment of these deficits to domestic areas would reduce the volume of the seaboard refiners by the amount of such deficit allotted to the beet-sugar area. None of these objections is valid.

The first objection, that the bill violates the spirit if not the letter of the World Sugar Agreement, is simply not in accord with the facts. The important provisions of the agreement, as it relates to the Philippine Islands and the position of foreign countries other than Cuba in the United States market, are as follows:

(a) The United States undertakes to permit each year the importation from full-duty countries of an amount of sugar proportionately as large as those authorized for the calendar year 1937 under General Sugar Quota Regulations, Series 4, No. 1. (The quotas thus established totaled 26,610 tons at a consumption estimate of 6,682,670 tons.) There is nothing in the pending bill which proposes to reduce this basic quota, nor to prevent these foreign countries from sharing proportionately in any increase if the consumption estimate exceeds 6,682,670 tons.

(b) The United States undertakes to permit, in case the Philippine quota is reduced below 850,000 long tons, the importation from full-duty countries of a quantity of sugar at least equal to the reduction.

(c) The Commonwealth of the Philippine Islands agrees not to seek an export quota in the world market so long as its quota in the United States market is not less than 850,000 tons, or until basic quotas in the world market are increased. (The Philippines get 4 percent of any such increase.) In the event the United States duty-free quota of the Philippines is reduced below 850,000 tons, the islands are to be allotted world market quotas equal to the reduction and the United States undertakes to provide a market for an equivalent amount of sugar from foreign countries other than Cuba.

The Adams-O'Mahoney bill makes no attempt to reduce the Philippine quota below 850,000 tons. In fact the law still specifically provides in section 204 (a), which deals with reallotments of deficits, that in the event of a determination of a deficit "the quota for any domestic area, the Commonwealth of the Philippine Islands or Cuba or other foreign countries, shall not be reduced by reason of any determination made pursuant to the provisions of this subsection." Since the bill does not reduce the basic United States quota for full-duty countries, does not prevent these countries from proportionately sharing in any increases in consumption, and makes no reduction in the Philippine quota, it cannot be contended that the world agreement is in any way involved. All that the bill proposes is a change in the areas which would supply the amount of a Philippine deficit, and this point is no part of the world agreement.

At the hearings called by the Senate Finance Committee on the Adams-O'Mahoney bill, the United States Tariff Commission presented a memorandum which expressed the opinion that the pending legislation violates the spirit of the World Sugar Agreement with respect to the commitments of the United States toward foreign countries other than Cuba. In particular the memorandum stated:

"While it may be held that these undertakings on the part of the United States do not constitute an obligation to continue to redistribute any and every deficit in the Philippine quota solely to full-duty countries, it can hardly be disputed that to exclude these countries entirely from participating in such additional allotments would be contrary to the spirit of the International Sugar Agreement. By that instrument, the United States, as the largest consumer and the largest importer and also as one of the largest producers of sugar in the world, in company with other sugar-importing countries, in effect gave assurance to the sugar-exporting countries that they would share in supplying any increased United States demand for sugar during the life of the agreement over and above the minimum proportions guaranteed by the agreement."

This statement indicates that the Tariff Commission is confusing the reallotment of deficits with increases in consumption in the United States. It cannot be emphasized too strongly that the World Sugar Agreement makes no mention whatever of deficits in the Philippine quota; it is concerned only and exclusively with reductions in the quota below 850,000 long tons. Foreign countries other

than Cuba are now allotted deficits in the Philippine quota not because of anything contained in the world agreement, or implied by it, but merely because the Congress was generous enough to make those deficits available to them. The Commission is accurate in stating that the world agreement gives assurance to foreign countries that they will share "in supplying any increased United States demand for sugar during the life of the agreement over and above the minimum proportions guaranteed by the agreement," but it is wholly inaccurate in the implication that the Adams-O'Mahoney bill debarbs these countries from participating in increases in consumption. All foreign countries which have quotas, Cuba among them, share proportionately in any increases in consumption in the United States, and the enactment of the Adams-O'Mahoney bill would not take that privilege from them. But it must be understood that a reallocation of a deficit is not in any sense an increase in consumption. Deficits are reallocated not because the consumers of the United States need more sugar but only because an area is unable to fill its quota.

The World Sugar Agreement, as the statement of the Tariff Commission indicates, has never been proclaimed by the President of the United States. So far the agreement has not been denounced by any of the signatory nations, but conditions of war have made it wholly ineffective. As an example, Great Britain which agreed to production limitation under the agreement is now increasing the production of sugar at home and in her dominions and colonies, which she would not have done had she believed the agreement still effective. It is this increase of production plus the rationing of consumption which is causing the surpluses in Caribbean and Latin-American countries.

The bill does not adversely affect the Philippines, because a deficit can only be declared if the Philippines are unable to fill their quotas. Since the determination of a deficit does not permit a reduction in the Philippine quota, the Philippines could still market the full amount of their quota if they actually had the sugar and could ship it here, even though the amount of the deficit had already been allotted to the domestic areas.

The second objection to the bill, that the proposed reallocation would impair the foreign commerce of the United States, is more fanciful than real. In operation, the quota system limits the amount of sugar which any area may supply to the United States market, but the total of all quotas represents the amount of sugar determined by the Secretary of Agriculture to be necessary to meet the requirements of consumers. That phrase, the "amount of sugar determined to be necessary to meet the requirements of consumers," appears several times in the act and it stands as the protection of the consumer against unwarranted prices which might be caused by a lack of supplies. Since quotas are established to meet the requirements of consumers, it is necessary that the quotas be filled, and that so far as possible the full amounts of sugar within the quotas be made available to consumers. But only once in the 7 years of sugar control have full-duty countries been able to fill their quotas. That exception occurred in 1934, the first year of control, and never since have these areas been able to meet the test of performance, as shown by the following table:

[Short tons, raw value]

	Final quotas	Charges against quotas	Charges as percent of quotas	Philippino deficits
1934	25,836	29,750	115.15	None
1935	25,228	10,977	43.51	None
1936	29,103	29,024	99.73	1,651
1937	114,641	89,155	77.77	86,805
1938	80,683	75,114	93.10	53,883
1939 ¹	85,812	62,021	72.28	59,111
1940	24,177	17,400	71.97	None

¹ Under the Jones-Costigan amendment all areas shared proportionately in deficits wherever occurring. Actual Philippine deficit in 1936 was 97,909 tons, of which full-duty areas were allotted 632 tons. These areas were also allotted 19 tons from a Virgin Islands deficit of 2,230 tons.

² Quotas suspended by Presidential order on Sept. 12, 1939.

In 1940 only 5 of the 27 full-duty countries which have quotas in the United States availed themselves of this market. Among those which are entitled to participate in any Philippine deficit under the present law are Germany, Italy, Japan, France, Belgium, and the Netherlands. In view of the fact that so few

foreign countries are apparently interested in our market, and in view of the further fact that they find it impossible to meet the modest quotas now granted to them, it is impossible to imagine that any serious losses would occur in the foreign trade of the United States if the deficits in the Philippine quotas were no longer made available to them. If the entire Philippine quota were allotted to full-duty countries it would increase their participation in the American market from four-tenths of 1 percent to more than 15 percent of the total of all quotas, a fortyfold expansion. Moreover, as the law now stands, deficits in the quotas of full-duty countries cannot be reallocated to Cuba or to domestic areas. If large deficits in the Philippine quota were allotted to full-duty countries and these countries were unable or unwilling because of increasing ocean freight rates to meet the demands thus made upon them for additional amounts of sugar, it would be impossible to get supplies from other areas except by increasing the estimate of consumption. But if the Philippine deficits were first allotted to the domestic areas, and the domestic areas were unable to supply the necessary sugar, the remaining deficit could then be reallocated to Cuba under present provisions of law.

Despite the failure of foreign countries to fill their quotas in years past, those opposed to the Adams-O'Mahoney bill take the position that they should be given an opportunity to use the Philippine deficits as a way of disposing of surplus stocks. The fallacy in this argument is that the sugar which forms these surplus stocks was produced for markets other than the United States. It was never intended that this sugar should enter this country. On the other hand, the sugar which forms the surplus of the beet-sugar industry was produced under a control system administered by the Secretary of Agriculture, and was definitely intended for the United States market. It can, as a matter of fact, have no other market, and it is inconsistent to deny domestic producers an opportunity to market these surpluses so that additional favors can be conferred on foreign countries.

Even if foreign countries other than Cuba were able to fill large deficits in the Philippine quota, it is questionable whether as a matter of national policy they should be permitted to do so. To permit significant increases in the full-duty quotas through the reallocation of large Philippine deficits might encourage these producers to increase their output on the contention that their position in the American market had been established, and then to insist that it be maintained after the present emergency has passed. An example of the manner in which such claims are successfully urged upon Congress is to be found in the history of the Philippine sugar industry. Prior to 1916, Philippine sugar shipments to the mainland were limited to 300,000 tons annually, and the islands never approached that total. Once this limitation was withdrawn, however, production increased by leaps and bounds, and by the time the Philippine Independence Act came up for congressional consideration, the islands' sugar producers insisted that they must have a duty-free quota of at least 850,000 long tons, to preserve their status quo and to protect their rights in the United States market.

The increase in the Philippine quota from 300,000 tons to 850,000 tons has been largely responsible for the difficulties which have beset the sugar industry in recent years, and it would be a serious mistake to invite a repetition of the experience by enlarging the quotas of foreign countries other than Cuba. In this connection it might be pointed out that the Tariff Commission is already apparently of the opinion, as expressed in its statement, that the United States is committed by the terms of the world agreement to permit full-duty countries to participate in all Philippine deficits of the future. No such commitment exists, but when foreign countries seek certain rights in the American market they often need no more solid basis for their claims.

Not only in full-duty countries, but in Cuba itself the United States is doing more than could be reasonably asked to care for the economic welfare of sugar producers. In some cases, indeed, the United States is extending assistance to foreign sugar producers even to the point of disregarding the legitimate appeals of domestic sugar producers. The acreage which has been allotted to the beet sugar industry for 1941 by the Secretary of Agriculture will, under normal conditions, produce some 400,000 tons less sugar than was produced in 1940. Yet, while the Secretary demands that this drastic sacrifice be made by sugar-beet producers, the United States through the Export-Import Bank is preparing to lend \$11,200,000 to finance the production in Cuba of 400,000 tons of sugar over and above the 2,000,000 tons that would have been made if it were not for the financial assistance extended by this Nation. There is no market for this 400,000 tons of sugar, now or in the immediate future, either in the United States or in the world market.

The pending bill makes no demands on the Treasury. At the present time all Philippine sugar coming into the United States is entered free of duty, and the excise tax imposed on sugar is refunded to the Philippine Government. If the Adams-O'Mahoney bill were passed, the Treasury would still collect no duty on the sugar, but instead of the excise tax being returned to the Philippines it would be given to producers in the form of conditional payments. The Treasury's position would thus be unchanged.

In expressing their opposition to the pending bill, representatives of the refiners complain that the volume of their business has been reduced, presumably by the operation of sugar-control laws. The fact is that in 1933, the year before the first sugar program became effective, refiners melted 4,128,808 tons of raw sugar. In succeeding years meltings have been as follows, in short tons, raw value: 1934, 4,182,368; 1935, 4,509,176; 1936, 4,513,602; 1937, 4,845,169; 1938, 4,576,957; 1939, 4,487,499; 1940, 4,630,068.

On the basis of this record it is impossible for the refiners to claim that the operation of sugar-control laws has hampered their business, for their meltings have been higher in each of the 7 years of control than in the year immediately preceding the inauguration of the first sugar program. In contrast, the beet-sugar industry in 1933 produced 1,756,000 tons of sugar, but its basic marketing quota in each of the years since has remained at approximately 1,550,000 tons.

When the refiners contend that they are now operating at 60 percent of capacity, what they really mean is that in years gone by they built a refining capacity far in excess of that shown to be needed in 1933 for the fulfillment of consumer requirements of cane sugar. The capacity of seaboard refiners is reported to be in excess of 8,000,000 tons a year. If all the sugar consumed in the United States were cane sugar and all of it were handled by seaboard refiners, their excess capacity would still be more than 1,000,000 tons a year. Neither the sugar-control program nor the beet-sugar industry is responsible for this overcapacity. It is a burden which must be borne by those responsible for creating it.

The peak of refining activity was reached in 1922, when the refiners melted 5,527,000 tons of raw sugar, or about 70 percent of a capacity of 8,000,000 tons. Of this melt the refiners exported 882,000 tons, or 11 percent, of their capacity. It appears, therefore, that in the year of their greatest activity, the refiners did not use more than 60 percent of their rated capacity for the domestic market.

Under the Sugar Act of 1937 full-duty countries are free to bring their entire quotas into the United States in the form of direct-consumption sugar, and to the extent they exercise this privilege the refiners lose tonnage exactly as if the same amount of sugar has been marketed by the beet-sugar industry. In the last 4 years, 14 of the 17 full-duty countries which sold sugar in the United States marketed direct-consumption sugar exclusively. Of the others, one has marketed as much as 20 percent of its quota in direct consumption, another as much as 30 percent, and the third's marketings of this type of sugar have ranged from 15 to 100 percent of the quota. In other words, even if the Sugar Act were to remain unchanged, refiners would have no protection against the loss of tonnage from this source.

Generally speaking, it can be said that the refining industry of the United States has been extended a degree of protection which is given to few, if any, other industries. This protection arises from the fact that the Sugar Act forbids sugar producers in Hawaii, Puerto Rico, the Philippines, and Cuba to bring into the United States in refined form more than a fraction of their full sugar quotas. Amounts in excess of these so-called refined quotas are excluded from our markets with all the force of an embargo. Moreover, if any deficits occur in the Philippine quota, these deficits are quite as likely to occur in the refined quota as in the raw quota, and under the Adams-O'Mahoney bill the amount by which the islands' producers fail to fill the refined quota can be considered an offset against any deficit allotted to the beet-sugar area.

Finally, the contention that allotment of a part of a Philippine deficit to the beet-sugar industry would reduce employment in seaboard refineries tells only half the story. The production of beet sugar results, per unit of output, in substantially more work and greater wage payments than the refining of raw sugar in seaboard refineries. This is true because all work in connection with the production of beet sugar is performed in the United States. In the case of the seaboard refineries, whose raw material is partially processed sugar, only the final stage of refining is performed in this country. Wage payments by beet-sugar processors average \$9.63 for every ton of sugar produced, as compared with an average of \$3.68 by the refiner. The marketing of a ton of beet sugar involves the payment to railroads of \$16.05, while the marketing of a ton of cane sugar involves only half that amount, or \$8.16. The refining of a ton of sugar by seaboard refiners

requires the use of \$1.18 in fuel, but the fuel cost of producing a ton of beet sugar is \$4.09. In addition to these costs, farmers who grow beets pay to farm laborers an average of \$21 an acre for caring for the crop, or approximately \$14 per ton of refined sugar.

Respectfully submitted.

UNITED STATES BEET SUGAR ASSOCIATION.
By NEIL KELLY, *Secretary.*

Senator GEORGE. Is there anyone else who desires to be heard?

STATEMENT OF D. R. PULLIAM, LOVELAND, COLO.

Mr. PULLIAM. I have a statement I would like to make at this time.

Senator GEORGE. Will you give your name, please, to the committee and to the reporter?

Mr. PULLIAM. I am Mr. D. R. Pulliam, farmer, living at Loveland, Colo., which is about 50 miles north of Denver, in Larimer County.

I report as a member and manager of Pulliam families ranch and agricultural holdings consisting of over 8,000 acres of land near Loveland, Colo., and Worland, Wyo., over 3,000 acres of which is irrigated, and on which upward of 800 acres of beets are produced each year.

I am also a director of the Mountain States Beet Growers Marketing Association which represents approximately 7,000 growers in northern and northeastern Colorado. I am representing them not as a paid lobbyist but as a member of that organization.

I think that this subject has been very well covered by Senator Adams and others, covering the beet area.

Colorado, as a State, has not directly contributed to the present surplus of sugar, a State which at one time led all States in the production of sugar beets but which is now second to California, which, by building new factories, establishing new growers, and increasing the acreage of old growers, has increased their acreage some 63,000 acres. This acreage is equal to the 63,000-acre increase in United States production in the years under the quota system as shown by the following table:

Acreages

	Colorado	California	United States
(3-year average) 1931 to 1933	209,000	104,000	869,000
(3-year average) 1937 to 1939	159,000	167,000	932,000

As I said above, even though we have not contributed to the present sugar surplus, having in Colorado reduced our acreage from 209,000 acres from 1931 to 1933 average to 159,000 three-year, 1937-39, average and a planted average in 1940 under 150,000 acres; in fact, 136,000 acres, in 1941 with a still further reduction brought about by the creation of surplus sugar by some of the expansion group States, what we are now needing is more acreage so that we can at least hold our 1937-39 average of about 159,000 or 160,000 acres.

The Philippines had on March 1 close to 800,000 tons of sugar left to market in the United States in the year of 1941. Under the 1937 Sugar Act, this sugar quota, if unused must be reallocated to foreign countries other than Cuba. Due to the extra demands on shipping facilities which are increasing daily, it seems quite possible that the

Philippines may not be able to fill their unused quota of sugar for this year. The beet industry of the United States has some 550,000 to 600,000 tons of surplus sugar on hand for which there is no marketing allotment and which the Secretary of Agriculture could not use, if he so desired, to fill in the gap left by the Philippines. Most domestic areas are not only clamoring for the privilege of producing more sugar but also for the privilege of marketing their surplus sugars now on hand. The question before us then is who is more justly entitled to this quota, citizens with allegiance to America? Or citizens of foreign allegiance?

I am here representing a group of beet growers and citizens whose whole livelihood is built around the sugar beet industry. The quality of these citizens can be termed "A-1" for in Larimer County only two men have been called by draft into selective service and in northern Weld County only one man has been drafted for service. All of the vacancies thus far having been filled by volunteers. While I am told, in other districts, practically all of the classification A-1 selective service men, have been drafted for the year's training. The farmers whom I represent are clamoring for a chance to make a living; they are good American citizens ready and willing to take their part in national defense in whatever way called upon, but in the meantime to support an American standard of living they must have a chance to market the crops which they produce.

We in Colorado are faced with relief problems the same as in other States. Larimer County is a typical county of the beet growing counties of northern Colorado. I am a member of a committee composed of Mr. Watrus, a member of the Farm Credit Association, Earl Yates, of the Federal Reemployment Service, Mr. Dalby, of the Larimer County Welfare and Relief Association, Dr. Roskelley, a professor, a representative of the economics department of the Colorado State College, Mr. Luper, manager of our sugar company, and others. One of the purposes of this committee is to attempt to work out some means of taking care of the families who should normally be employed in the beet fields, but this year, due to further decrease in sugar-beet acreage brought about by farmers and manufacturers inability to market their sugar or plant normal acreages, will be without jobs. You can readily see what a big problem confronts this committee.

The towns of our county are built up around the sugar beet industry, our factories will be forced to run at two-thirds the normal capacity. This means two-thirds the normal amount of income for the laborers in these factories, which lower income is reflected in all business in the communities. The sugar companies making 5 percent or less on their investments, faced with further reduction in acreage, are forced to close some of their plants. The closing of these plants means the breaking down of the total financial structure of the town in which the plant is located. Due to the feeding operations of the farmers, which are built up around the byproducts from these plants, the financial structure of the farmers is also demoralized. The only things I can think of which are on the increase are taxes, which are necessary to maintain an American standard of education, and to care for the increased unemployment in the district.

You might think that "Well, here is a fellow that represents a family with a lot of land, and they are reaping a big benefit out of the sugar-beet business." But let me tell you that after improvements are kept up, after attempting to maintain American standards, semi-modern homes for our tenants to live in, after paying taxes, water assessments, and not crediting any thing for the depletion of soil from the sale of crops, our returns look like rates of interest return from Government bonds. The main difference being that our returns are subject to taxation.

The beet-sugar industry has been criticized as being too highly subsidized. The same criticism can be made of any other American industry and it is made necessary because of the American standard of living. Laborers receiving 25 cents per day are poor customers. On the basis of day labor there is no other country on the face of the globe where a common laborer working at common wages can earn two sacks of sugar per day. We have proof where many of our sugar-beet field laborers in Colorado are doing just this. Whenever the earning power of these laborers is reduced to two-thirds capacity, you men from the industrial East must remember that your sales in this territory will be reduced a like amount.

I presume to trade with these offshore areas with their low wage scales might be desired by some, but we consider our trade much more valuable. We westerners still want to be good customers of the industrial East but we must have the privilege to produce and to market. Continental communication and transportation facilities will be the last to be broken up, in case of major catastrophes. Without ever being in war, demands for shipping exceed the supply. Better conditions are not in prospect. Continental transportation costs have not materially changed, but offshore shipping rates have doubled and some even quadrupled, yet the bottoms are not available to move our sugar supplies even at these prohibitive rates.

What we in Colorado especially need is relief from the burden of this surplus sugar, produced by these expansion groups. Even though Colorado has not contributed to the surplus, we are suffering from it.

If a part of the 600,000 tons of beet-sugar surplus could be used to fill the Philippine gap, if and when it exists, it would definitely help us in our future allotments.

I might say, in closing, just one thing. In 1920, when we were at the mercy of the offshore areas, sugar was not only rationed but prices became almost prohibitive. Continental sugar was the only stabilizing factor we had. The peak price being just before the beet sugar was harvested in the fall. I think that peak price was about \$32 a hundred. We Colorado growers do not want to see the recurrence of this condition. What we want is to be permitted to produce a normal supply of sugar at a fair price. As a safety gap we believe that normal domestic sugar production should be encouraged as a protection against future excessive sugar prices.

Thank you.

Senator GEORGE. Are there any other witnesses now who desire to be heard?

(No response.)

Senator GEORGE. The committee has received a letter from the Secretary of Agriculture, which will be incorporated into the record. It reads as follows:

(The letter was read by Senator George, and it is as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, March 17, 1941.

HON. WALTER F. GEORGE,
*Acting Chairman, Senate Committee on Finance,
United States Senate.*

Dear SENATOR GEORGE: Reference is made to Mr. Johnston's request that the Department of Agriculture be represented at hearings with respect to S. 937, to be held at 10:30 a. m. Tuesday, March 18, 1941.

On February 24 the committee requested that a report relative to the proposed legislation be made. On March 4, in acknowledgment of the request, it was stated that the Department would furnish the committee the desired report at the earliest date possible. The report, which is in process of preparation, has not yet been completed nor has it been submitted to the Bureau of the Budget for approval. As soon as it has the approval of the appropriate officials we will be glad to forward it to you.

It is our hope that the report will be in such form that it will not be necessary for the Department to appear.

Sincerely yours,

CLAUDE R. WICKARD, *Secretary.*

Senator GEORGE. The acting chairman of the committee has been advised that there are representatives here from the Department of Agriculture, the Tariff Commission, and the Department of the Interior. They are present to furnish such statistical information, and data as any member of the committee might wish to elicit. Mr. MacHardy from the Department of Agriculture, Mr. Funk and Mr. Kenkel from the Tariff Commission, and Mr. Speck from the Interior Department.

Senator VANDENBERG. Could we elicit the information as to the Department's stand on the bill?

Senator GEORGE. The Secretary has advised that his report would disclose his attitude, and that he is now in the process of preparing it.

The Tariff Commission has filed with the committee a letter together with a memorandum concerning S. 937.

Senator VANDENBERG. Mr. Chairman, I would like to have the Departments appear and be represented by a witness, if they are going to oppose the bill.

Senator GEORGE. I understand that this is a memorandum with reference to the subject matter. I have not had the opportunity to read it. I call attention to one statement made in this report, however, and especially direct the attention of Senator Adams to the statement that it is thought or believed that this proposed bill does violate the spirit if not the letter of the international agreement regarding the regulation of production and marketing of sugar signed at London May 6, 1937, by the delegates of the United States, including the delegate representing the Commonwealth of the Philippines and 20 other countries, and reference is made to the ratification of this agreement by the Senate on December 20, 1937, and to the document in which it is published.

If there be no objection I think the letter from the Tariff Commission and the accompanying memorandum should go into the record.

(The matter referred to is as follows:)

UNITED STATES TARIFF COMMISSION,
Washington, March 17, 1941.

Hon. PAT HARRISON,
Chairman, Committee on Finance, United States Senate.

DEAR SENATOR HARRISON: I have your request for a report by the Tariff Commission on S. 937, an amendment to the Sugar Act of 1937, dated February 24, 1941.

S. 937 proposes an amendment to section 204 of the Sugar Act of 1937, which would substitute the words "domestic producing areas" for "foreign countries other than Cuba." If this pending legislation is enacted, it will result in having that portion of the unfilled Philippine quotas which heretofore, under the law, has been allocated to foreign countries other than Cuba transferred to the beet- and cane-sugar producing areas of the United States. Had the provisions of the pending legislation been in effect from 1937 through 1940, the quotas to foreign countries other than Cuba would have been decreased by 50,000 to 90,000 tons annually, except for 1940 when the Philippine quota was filled.

This tonnage is fairly substantial, but small when compared with the total Philippine quota, and there is some possibility that in the future still larger amounts of the duty-free Philippine quota might have to be reallocated, if shipping difficulties should develop. As pointed out in the attached memorandum, about one-quarter of the Philippine sugar is transported to the United States in Japanese vessels. Should the situation in the Far East become such that this tonnage was no longer available, there would be a decided decrease in the shipments from the Philippines unless additional bottoms are made available for this trade.

Attention is called to the fact that the United States is a party to the international agreement regarding the regulation of production and marketing of sugar, and that under the terms of that agreement the United States undertakes to permit annually a net importation of full duty sugar at least equal to that allotted to the countries involved on the basis of the original quotas established for the year 1937, that is, about four-tenths of 1 percent of the United States consumption. The agreement further provides that should the quota for the Philippines be reduced below an aggregate amount of 982,441 short tons (850,000 long tons), the United States would undertake to permit a net importation of sugar from "foreign countries" equal to that reduction.

As previously stated, the amounts which have been allocated to the Latin American countries under the international agreement and as a result of reallocations have been a small percentage of the total domestic consumption. Those countries, at various times, have requested increases in the amounts allocated to them. The present amendment would not only prevent any increase in these amounts, but would actually decrease the amounts which would otherwise go to them.

It appears from a study of the situation that under normal conditions, when the quota allotted to the Philippines exceeds the amount provided for in the Philippine Independence Act (i. e., the amount subject to free entry), the differences will represent minimum surpluses to be allocated under the terms of S. 937. Should conditions arise preventing the Philippines from filling their free quota, the quantities to be allocated might be much greater. However, reference to the sugar production data for the areas to which we could have access indicates that there is an ample supply of sugar in these sources, whether domestic or foreign. The matter, therefore, appears to involve largely a question of policy with respect to both the treatment of sugar producers and our international obligations.

The attached memorandum discusses the various phases of the bill in considerable detail.

Sincerely yours,

OSCAR B. RYDER, *Acting Chairman.*

Enclosure.

MEMORANDUM CONCERNING S. 937, SEVENTY-SEVENTH CONGRESS, FIRST SESSION

The amendment to section 204 of the Sugar Act of 1937, as provided for in S. 937 (and also by H. R. 3582) would change the present basis for reallocating any part of the Philippine sugar quota which that country is unable to supply. The Sugar Act of 1937 provided that any deficit in the Philippine sugar quota would be allocated to foreign countries other than Cuba. The pending legislation, by substituting "domestic sugar producing areas" for "foreign countries

other than Cuba," would result in allocating any Philippine deficit to the domestic areas rather than to the foreign countries provided for in the 1937 act.

The amount of sugar affected by the amendment would vary from year to year. The minimum would appear to be the quantity of Philippine sugar subject to duty, since that country has never filled its dutiable quota. In addition, there would be added from year to year that part of the duty-free quota which the Philippines might be unable to ship to the United States.

In this connection, several preliminary observations may be made. First, actual deficiencies in the Philippine sugar quota have arisen each year since 1934, with the exception of 1940, due to the fact that the Philippines have not marketed that part of their quota annually established under United States sugar control laws which exceeded the duty-free quota specified in the Philippine Independence Act. Prior to 1940, the determination of a deficit in the Philippine quota was made about the middle of each year, whereupon the amount of the deficit was reallocated. But in 1940 no such determination was found to be necessary and, in consequence, there was no reallocation. As a matter of fact, the reduction in the estimate of domestic consumers' requirements of sugar, announced in August 1940, and the consequent downward revision of the 1940 quotas for the various sugar supplying areas, resulted in a revised quota for the Philippines equivalent to their duty-free quota, guaranteed under the Independence Act.

Second, under the Jones-Costigan Act of 1934 any deficiencies due to the inability of the Philippines, or of other particular areas, to fill their quotas were prorated among all the other quota areas, domestic and foreign—including Cuba—that could supply the sugar. But under the Sugar Act of 1937, as already indicated above, only full-duty countries share in any deficiency which may be determined during the year for the Philippines, and no allotment may be made to Cuba out of any deficit in the quota for the Philippines or in any quota for foreign countries other than Cuba. On the other hand, pursuant to the provision under section 204 of the Sugar Act, if any domestic area or Cuba is found to be unable to market its current quota, the deficit is first prorated to other domestic areas and to Cuba, respectively. If it cannot thus be supplied, it is redistributed to foreign countries other than Cuba.

Third, imports into the United States of full-duty sugar, that is, sugar from foreign countries other than Cuba, are limited, by the basic quota provisions of the Sugar Act, not to exceed four-tenths of 1 percent of total annual consumption requirements of sugar in the continental United States. They may exceed the specified proportion only as the result of prorations of deficits as indicated above. An examination as to the relationship of importations of full-duty sugar to the actual total quantity of sugar made available to consumers in the United States during the years 1937-40, inclusive, indicates that foreign countries other than Cuba supplied somewhat more than 1 percent of the total in both 1937 and 1938, and less than 0.3 percent in 1940, during which years sugar quotas were in effect, and 0.8 percent in 1939, during part of which quotas were suspended.

In terms of absolute quantities the amounts originally allocated to foreign countries (other than Cuba) in 1937 and 1938 were 27,000 short tons annually. The reallocation of deficits to these countries enabled them to enter an additional 61,000 tons in 1937 and 48,000 tons in 1938. In 1939 the actual importations of such sugar exceeded the equivalent of a quota limitation of 0.4 percent of total sugar marketings or importations by about 32,000 short tons, raw value. However, in 1940, full-duty suppliers failed to fill their revised quota of 24,177 short tons by almost 7,000 short tons.

The average additional marketings in 1937-38 of 55,000 short tons of full-duty sugar, due to reallocations from Philippine and other deficits, represent less than 1½ percent of the total quantity of sugar marketed by the domestic continental and insular areas, which averaged in the same years almost 3,624,000 short tons, raw value.

A detailed comparison of actual sugar marketings or importations with the quotas established for domestic areas, the Commonwealth of the Philippine Islands, and for Cuba and other foreign countries under the Sugar Act of 1937, covering the years 1937-40, is given in the following table.

TABLE 1.—*Sugar: Marketings or importations¹ compared with the quotas² established for the various areas of supply under the Sugar Act of 1937, 1937-40*

[Quantity in short tons, raw value]

Area	1937		1938		1939		1940	
	Marketings or importations	Quotas	Marketings or importations	Quotas	Marketings or importations	Quotas ³	Marketings or importations ⁴	Quotas ⁵
Domestic areas:								
Boet sugar.....	1,245,087	1,633,361	1,448,027	1,572,559	1,809,652	1,566,719	1,549,837	1,549,898
Mainland cane.....	490,916	442,793	448,961	426,310	585,520	424,747	403,563	420,167
Hawaii.....	985,031	988,551	905,572	951,753	966,288	948,218	940,511	938,037
Puerto Rico.....	896,340	840,954	815,294	809,649	1,125,815	806,642	798,316	797,982
Virgin Islands.....	7,841	9,396	3,924	9,046	5,566	9,013	.....	8,916
Total domestic.....	3,625,215	3,915,055	3,621,778	3,769,317	4,493,871	3,755,319	3,692,227	3,715,900
Foreign countries:								
Philippine Commonwealth.....	901,020	1,085,304	981,146	1,044,903	979,583	1,041,023	981,034	982,441
Cuba.....	2,155,218	2,014,538	1,940,823	1,939,546	1,930,158	1,932,343	1,750,152	1,749,744
Foreign countries other than Cuba.....	89,155	27,836	75,114	26,800	62,021	26,701	17,400	24,177
Total, foreign.....	3,235,393	3,127,678	2,997,083	3,011,249	2,971,762	3,000,067	2,748,586	2,756,362
Total, domestic and foreign.....	6,860,608	7,042,733	6,618,861	6,780,566	7,465,633	6,755,386	6,440,813	6,471,362

¹ For 1937, 1938, and 1940, the figures represent actual importations or marketings against the quotas; for 1939 the figures represent actual importations or marketings.

² These are revised quotas without adjustments for prorations of deficits.

³ These quotas in effect at the time of suspension of all quotas, Sept. 11, 1939.

⁴ Preliminary data.

⁵ The quotas for the domestic areas result from the proration among them of 3,715,000 short tons, the minimum quota for these areas specified in section 232 of the Sugar Act. So also the figure for the Philippines represents a similar minimum, equivalent to the duty-free quota established by the provisions of the Philippine Independence Act, as amended.

Source: Data for sugar marketings or importations for 1937-39 taken from exhibit III submitted by the Agricultural Adjustment Administration at the hearings before the Committee on Finance on H. R. 9654 (p. 19). For 1940, based on press release of the U. S. Department of Agriculture, Feb. 7, 1941. Data on the quotas based on Sugar Quota Regulations, U. S. Department of Agriculture, 1937-40.

Fourth, an examination of the distributions of the full-duty quotas established pursuant to the provisions of both the Jones-Costigan Act and the Sugar Act of 1937, indicates that Latin American Republics other than Cuba have received about 95 percent of the basic allotments, and they shared in approximately the same ratio in the reallocations of deficits under the provisions of the Sugar Act. The major participants in these full-duty quotas and additional prorations have been Peru, Dominican Republic, Nicaragua, El Salvador, Mexico, and Haiti. In 1940, of the total quantity of imports of full-duty sugar charged against quota, amounting to 17,400 short tons, four Latin American countries—Peru, Dominican Republic, Mexico, and Haiti—supplied all but 120 short tons.

A fifth and last observation concerns the position of the United States in relation to the International Agreement regarding the Regulation of Production and Marketing of Sugar,¹ signed at London on May 6, 1937, by the delegates of the United States (including a delegate representing the Commonwealth of the Philippines) and 20 other countries. This agreement, which was ratified (with a reservation) by the United States on December 20, 1937, provides arrangements based on 5 quota years, beginning with September 1, 1937.²

Article 9 of the agreement contains the particular commitments of the United States, principally with respect to imports of sugar from foreign countries not enjoying preferential duty rates. It provides an undertaking to permit annually a net importation of full-duty sugar in a proportion to total consumer requirements at least equal to that allotted to the countries involved on the basis of the

¹ Text of the agreement published as Senate document, Executive T, 75th Cong., 1st sess.; and included in the Collection of Treaties, Conventions, etc., between the United States of America and Other Powers, vol. IV, p. 6599 (S. Doc. No. 134, 75th Cong., 3d sess.).

² The agreement has not as yet been proclaimed by the President of the United States. According to a formal resolution adopted recently by the International Sugar Council, set up under the agreement, the latter is continued in operation.

original quotas established for the year 1937 (that is, slightly less than four-tenths of 1 percent). The United States further undertook, if the "quota" of the Philippines should be reduced below an amount equal to 800,000 long tons of unrefined sugar plus 50,000 long tons of refined sugar (aggregating 982,441 short tons, raw value) to permit a net importation of sugar from "foreign countries" equal to that reduction. These provisions are subject to a reservation the effect of which is to permit increases, over and above their proportionate quotas, in the imports of full-duty sugar from countries that normally export sugar to the United States, without having such increases reckoned as part of the world export quotas allotted under the international agreement.

While it may be held that these undertakings on the part of the United States do not constitute an obligation to continue to redistribute any and every deficit in the Philippine quota solely to full-duty countries, it can hardly be disputed that to exclude these countries entirely from participating in such additional allotments would be contrary to the spirit of the international sugar agreement. By that instrument, the United States, as the largest consumer and the largest importer and also as one of the largest producers of sugar in the world, in company with other sugar-importing countries, in effect gave assurance to the sugar-exporting countries that they would share in supplying any increased United States demand for sugar during the life of the agreement over and above the minimum proportions guaranteed by the agreement.

Viewed against the background of sugar developments as reflected in the observations above, consideration of the proposal to transfer the redistribution of deficits in the sugar quota of the Philippines from full-duty countries to domestic areas resolves itself into a question of policy in which at least three questions are involved. The questions are: (1) What is the outlook regarding the ability of the Philippines to market their duty-free quota of sugar in the United States during 1941? (2) What is the position of the domestic sugar-producing areas as potential suppliers to replace substantially the entire Philippine duty-free quota? and (3) What are the prospects of obtaining, in case of need, substantially increased amounts of sugar from foreign countries, including Cuba?

The questions may be briefly answered as follows:

1. The total supply of sugar needed to meet the requirements of consumers in continental United States for 1941 has been determined, under the provisions of the Sugar Act of 1937, to be 6,616,817 short tons, raw value. On the basis of this determination, the current quotas for the five domestic sugar-producing areas (domestic beet, mainland cane, Hawaii, Puerto Rico, and Virgin Islands) are identical with the quotas established by prorating the minimum aggregate quota of 3,715,000 short tons provided for these areas under section 202 of the Sugar Act. The same minimum quotas were established, on the basis of a revised estimate of consumers' requirements, in August 1940. The original quota allotted to the Philippine Commonwealth for 1941 is 1,006,931 short tons raw value; to Cuba, 1,869,060 short tons; and to foreign countries other than Cuba, 25,826 short tons. Since in years past the full-duty portion of the Philippine quota has not been utilized, it may be assumed that this part would again be available for reallocation, involving 24,400 short tons, raw value.

The Philippine duty-free quota is 982,441 short tons, raw value. This quantity of sugar represents a stabilized but restricted production for the Philippine sugar industry and one which it is essential for them to market in the United States. It corresponds roughly to the actual importations of Philippine sugar charged against quota in 1940 and 1938, as well as imports in 1939. Beginning January 1, 1941, Philippine duty-free quota sugar is subject, pursuant to the provisions of the Independence Act, (as amended) to an export tax. This tax during the present year amounts to 0.09375 cents per pound (96-degree basis) and will be increased by this amount each year through 1945.

The shipping situation on the Pacific, with particular reference to the movement of sugar exported from the Philippines, may be inferred from the following. During the 10-month period, January to October 1940, the number of cargo sailings from the Philippines totaled 873, of which 193 were accounted for by vessels flying the American flag. Japanese vessels were first in order with 267 sailings, with 150 for British, 97 for Dutch, 90 for Norwegian, and the rest (76) for other vessels.³ The cargoes of exports from the Philippines carried by all these vessels to world destinations totaled 3,043,102 long tons. Japanese vessels moved 44 percent of this tonnage, American 24.3 percent, Norwegian, 12.5 percent British 5.6 percent, and Greek, Swedish, and Dutch vessels about 3 percent each.

³ These and other statistical data cited in this section are taken from the Consolidated Statistics of Cargo Movements from the Philippines, compiled and published monthly (for 1940) by the Associated Steamship Lines of Manila. Detailed comparable data for 1939 are not available.

Of the total cargo tonnage specified, exports of Philippine sugar represented more than one-fourth, amounting to 726,189 long tons of raw sugar and 44,994 long tons of refined sugar.⁴ All this sugar was shipped to the United States, and all the refined sugar was shipped to Pacific coast ports, destined for "local" as distinguished from "overland" trade. By far the bulk of the raw sugar, or 693,478 long tons, was shipped to the Atlantic seaboard, with 16,000 tons taken to Gulf ports and 16,711 tons entering Pacific coast "local" trade. Substantially the same conditions obtained during the first 10 months of 1939, except that much smaller quantities of Philippine raw sugar were carried to American Pacific and Gulf ports, 2,573 and 7,409 long tons, respectively. The total tonnage of raw sugar taken to the Atlantic seaboard during that period was 688,912 long tons, while all of the 48,559 long tons of refined sugar were destined for Pacific ports.

Monthly statistics of Philippine export cargoes of raw sugar to Atlantic, Pacific, and Gulf ports of the United States for the period January through October of 1939 and 1940 are given in the following table:

TABLE 2.—Raw sugar: Philippine export cargoes to Atlantic, Pacific, and Gulf ports of the United States, by months, January 1939 to October 1940¹

(Quantities in long tons)

Month	1939			1940		
	Atlantic	Pacific	Gulf	Atlantic	Pacific	Gulf
January.....	74,130			59,800	61	
February.....	90,306	559		62,842	139	5,000
March.....	72,659	262	2,508	65,954	223	5,000
Subtotal (3 months).....	237,095	821	2,508	188,596	423	10,000
April.....	106,567	282		89,502	7,987	
May.....	91,655	689		49,619	25	6,000
June.....	103,741	31	500	80,772	194	
Subtotal (6 months).....	539,058	1,823	3,008	408,489	8,629	16,000
July.....	53,363	154	4,401	68,543	2,003	
August.....	56,211	275		63,980	535	
September.....	33,017	223		88,995	5,544	
Subtotal (9 months).....	681,649	2,475	7,409	630,007	16,711	16,000
October.....	7,263	98		63,471		
Total, 10 months.....	688,912	2,573	7,409	693,478	16,711	16,000

¹ Except data for November and December 1939, which are not available.

Source: Compiled from the monthly Consolidated Statistics of Cargo Movements from the Philippines, January-October 1940, Associated Steamship Lines, Manila.

These statistics indicate a fairly even distribution of monthly shipments throughout the 10-month period in 1940 and from January through August of 1939. In both these periods they ranged between about 56,000 tons and around 95,000 tons. In October 1939, however, only about 7,000 tons of raw sugar were exported, as compared with over 63,000 tons in the same month of 1940.

Examination of the nationality of the vessels on which Philippine sugar exports were shipped during the first 10 months of 1940 shows that a total of 103 vessels moved bulk cargoes of raw sugar aggregating 724,335 long tons.⁵ Of these vessels, 41 flew the American flag and made 53 sailings, 30 Japanese vessels made 46 sailings, 22 Norwegian vessels made 32 sailings, 4 Danish and 3 Swedish vessels each sailed once, and 3 British vessels made 5 sailings.⁶ Of the aggregate tonnage of raw-sugar cargoes shipped on a total of 143 sailings, 357,627 long tons, or almost one-half, was carried on vessels under the American flag, while the Japanese vessels moved 198,427 long tons, or 27.4 percent of the total; the Norwegian, 138,662 tons (19.1 percent); the Swedish, 16,223 tons; and the Danish and British, each, 7,000 tons or less. All the vessels engaged in this trade, except 16 American and 3 Norwegian chartered vessels, were operated by lines members of the Manila

⁴ The Philippine export classification for raw sugar includes also "centrifugal" sugar. To compare these data in long tons with the quotas in short tons, note that 1 long ton = 1.12 short tons.

Conference. The chartered American vessels accounted for 21 sailings, as compared with 26 for the 22 American vessels owned and operated by 4 well-known conference lines. The sugar cargoes for each of these 2 groups of American vessels aggregated 165,000 long tons.

The number of monthly sailings varied from 9 in January to 20 in April and 19 in September, the aggregate sugar cargoes in each of the latter exceeding 95,000 long tons. Almost one-fourth of this amount was carried respectively by 4 and 3 American-chartered vessels, the rest largely by Japanese and American conference vessels.

The capacity of available cargo space for raw sugar may be inferred from actual sugar tonnages carried in 1940. Only 3 American vessels of conference lines carried 10,000 or more long tons of raw sugar on one sailing, 3 others carried 8,000 tons or more, 8 carried 6,000 tons or more, and 2 carried 5,000 long tons each. Of all, only 1 in the first group and 1 in the third made 2 sailings each with sugar cargoes; and only 5 sailed with sugar cargoes exclusively. Three American-flag vessels, operated by a Philippine line belonging to the conference group, each made 2 sailings with raw sugar cargoes of 3,000, about 4,500, and 6,000 long tons, respectively, on each trip. On the other hand, all except 2 of the 16 chartered vessels flying the American flag carried only sugar cargoes, which ranged between 7,700 and 11,700 long tons each. Five of these vessels sailed twice. The sugar cargoes carried by Japanese vessels ranged from a low of 1,000 up to 7,000 long tons. There were approximately 13 second sailings.

With regard to the possibility of further increases in freight rates on sugar cargoes from the Philippine Islands to the United States, reference may be had to a recent notice issued by the United States Maritime Commission (February 26, 1941) to the general effect that it would not allow ocean freight rates to advance unreasonably because of a limited supply of cargo space. A few days earlier, traffic officials of that Commission had discounted reports of a serious shipping shortage on Pacific routes, admitting, however, that the shipping situation would probably become more acute in coming months.⁷

The Maritime Commission has been conducting a general investigation of shipping conditions and of tonnage available to meet any possible shortage, and also of possible ways and means of overcoming any such shortage. The latter include consideration of the possibility of establishing a system of voluntary priorities of cargo facilities with Government supervision, or of mandatory cargo priorities if the shipping situation should become critical.

Pursuant to the announcement of February 26, 1941, all shipping conferences operating outside the European war zone, over which the Commission exercises the supervision contemplated by Congress, are required to notify the Commission in advance about all agreed increases in freight rates and to submit in each instance a statement fully justifying the contemplated increases. In this connection, attention was also directed to an earlier report of the Commission, wherein it was stated that "an unreasonably high rate is clearly detrimental to the commerce of the United States" and "its reduction to a proper level" would be required. The quotation from the earlier report concluded with the statement that "if necessary, approval of the conference agreement will be withdrawn."

2. The second question involved in the consideration of the proposed amendment concerns the outlook regarding supplies of sugar produced for the United States market in the domestic areas. As of January 1, 1941, the domestic beet-sugar factories had initial stocks of refined sugar amounting to 1,601,756 short tons, raw value. The 1941 quota for domestic beet-sugar marketings has been established at 1,549,898 short tons, raw value. Restrictions on sugar-beet acreage are to be applied during 1941 which will limit the planting to 820,000 acres. This may be compared with the average acreage of the 1938-40 crops of about 923,000 acres, which produced an average of 1,686,000 short tons of sugar.

The mainland cane sugar factories had stocks on hand, as of January 1, 1941, amounting to 61,826 short tons, raw value. By the end of the month these stocks had undergone a net reduction to 47,146 short tons, raw value. The same

⁷ This accounts for total raw sugar shipments except 1,854 long tons taken in small lots to Pacific coast ports.

⁸ For present purposes, the vessel's flag is taken as determining its nationality, regardless of the status of the operating line. To illustrate this point, reference may be had to a Philippine steamship line which, a member of the Manila Conference, operated during the 1940 period 4 Norwegian and 3 American vessels and 1 Swedish vessel, credited with 16 sailings with sugar cargoes.

⁹ On March 11, 1941, the New York Journal of Commerce carried an item on the reported formation of a new Philippine steamship company which was to purchase a fleet of freight vessels to assure adequate tonnage for carrying the Philippine sugar quota to the United States. It was further reported that the apprehension among Philippine sugar interests concerning the shortage of merchant shipping in the Pacific had led them to ask the government to put space unused on homeward voyages of Army transports at the disposal of sugar shippers.

stocks last year were 100,000 tons larger. In making this comparison, it must be noted that the 1940 cane crop in Louisiana had been damaged by frost and yielded an output of sugar amounting to only 235,456 short tons, raw value, as compared with a production of 436,861 tons in 1939 and a record crop in 1938 of 491,000 tons. The 1940 production is equivalent to about 57 percent of the average production for the 5 years 1935-39. Also to be noted is the fact that despite the short crop in 1940, marketings of Louisiana cane sugar amounted to 338,670 short tons, raw value, or only about 16,000 tons less than the revised quota for the year. The availability of mainland cane sugar for marketing in 1941 in excess of the area's initial quota of 420,167 short tons, raw value, is indicated by the fact that allotment of the quota to the 69 cane sugar processing companies in Louisiana and Florida has been found necessary, pursuant to the provisions of the Sugar Act. Allotment of the same quota also took place in 1940. In that year production of sugar from the Florida cane crop was 116,000 short tons, raw value, as compared with 70,000 tons in 1939 and 92,000 tons, the previous record, in 1938. The 1940 allotment for Florida out of the marketing quota for the mainland cane-sugar area was 65,401 short tons, raw value.

Hawaii and Puerto Rico are the remaining domestic sugar areas of importance. Production in the former has been, and is estimated for 1941 to be, approximately equivalent to the quota for marketing in the continental United States plus the local consumption allotment. As revised for 1940 and initially established for 1941, the marketing quota is 938,037 short tons, raw value, which may be compared with an average production for the 3 crop years 1937-38 to 1939-40 of 946,000 short tons. On the other hand, production in Puerto Rico for the same 3 years averaged 983,000 short tons, of which about 70,000 tons was required for local consumption. Puerto Rico's 1941 quota for marketing in the continental United States is 797,982 short tons, raw value. In the crop year 1937-38, Puerto Rican production totaled 1,077,000 short tons, while Hawaiian production was in excess of 1,000,000 tons in the crop year 1935-36.

3. The third question arising with regard to the proposal to exclude full-duty countries from reallocations of deficits in the Philippine quota touches on the availability of sugar in those countries for the United States market. Alternatively, the question also involves giving consideration to the prospect of obtaining, if necessary, the required sugar replacements in Cuba, the nearest and for years the principal foreign supplier of sugar of the United States.

Recent availability of sugar in certain of the nearby full-duty countries has been evidenced by the fact that Peru, the Dominican Republic, and Haiti have, on the basis of sugar entries before March 1, already filled their respective initial quotas for the year 1941, aggregating 9,673 short tons, raw value. These three full-duty suppliers represent the important exporting countries among the principal sugar-producing countries of Latin America, other than Cuba. Their combined total annual exports for recent representative years have been between about 750,000 and 850,000 short tons. In the aggregate, and particularly in the case of the Dominican Republic, the leading exporter of the three, the United Kingdom and other European countries have been the important markets (other than the United States). A substantial part of the sugar supplies represented by these exports, currently curtailed as a result of the war, would be available for shipment to the United States. However, further imports of any such sugar during 1941 will be dependent upon reallocations of deficits principally from the Philippine quota and also from other full-duty quotas.

Only four other Latin American Republics are among the full-duty countries with a 1941 quota allotment exceeding 1,500 short tons, namely, Nicaragua, El Salvador, Mexico, and Honduras. Their combined quotas amount to 14,425 short tons, raw value. The recent situation in these countries with regard to local requirements and nearby outlets would apparently preclude making available any substantial amounts toward the filling of their quotas in the United States.

The situation in Cuba may be summarized briefly as follows: Entering upon the current cane-grinding season, at the middle of January, for its 1941 output of sugar with net carry-over stocks amounting to 1,183,000 short tons⁸ and facing what is viewed as an almost total paralysis of its export trade to world markets (other than the United States), the Cuban sugar industry operated until the end of February without benefit of the usual officially authorized production quota and quota allocations to the various mills.⁹ But just before March 1, the Government

⁸ Stocks of sugar on hand in Cuba as of January 1, 1940, amounted to 668,000 short tons, raw value.

⁹ The importance of the quota determination is enhanced because of its use in calculating the official "promedio" or weighted average sugar prices, upon which, in turn, wages and other charges, such as for cutting, loading, and hauling sugarcane, are based. Without quota allocations and promedios, also, sugar cannot be used as security for loans.

of Cuba authorized tentatively a total production quota equivalent to 2,272,000 short tons, raw value, subject to a 20-percent increase, or a total of 2,726,000 short tons, contingent upon the effectuation of a loan from the United States Export-Import Bank. Pursuant to Cuban legal provisions regarding the distribution of the basic quota, Cuba's 1941 sugar output is to be earmarked as follows: Approximately 48 percent of the total,¹⁰ or 1,089,000 short tons, is allocated for "free" exportation to the United States during 1941, an additional 568,000 tons (or one-fourth of total production) being "retained" as a reserve to provide for the eventuality of increased sugar requirements in the United States. The allotment for Cuban local consumption is 170,000 short tons, or 7.5 percent of the total. Two "world quotas" account for the rest of the authorized output, including 331,000 short tons as a world market reserve (with respect to the International Sugar Agreement) for the year ending August 31, 1942, and a "special" allotment of 114,000 short tons to provide for contingent current exports to markets other than the United States. The two world quotas are equivalent, respectively, to 14.6 and 5 percent of the total authorized production.

The initial marketing quota established for imports of Cuban sugar into the United States for the year 1941 is 1,869,000 short tons, raw value. The difference between this figure and Cuba's basic allotment of 1,089,000 short tons, raw value, for exports of sugar to the United States in 1941, represents sugar carried over from the 1940 crop and overquota sugar already in the United States and chargeable against Cuba's quota for 1941.

Should the loan, already referred to above, materialize, Cuba's production quota of sugar for 1941 would be increased by approximately 454,000 short tons, raw value. This additional output, according to recent trade information concerning some details of the plan, would be financed by a loan of about \$11,000,000 from the Export-Import Bank to the sugar producers of Cuba through the Cuban Stabilization Institute. This sugar, representing a security for the loan, would be stored in Cuban warehouses until such time as market demand for it should arise. Other features of the loan agreement are a stipulated total Cuban production not in excess of 2,726,000 short tons; exportation to the United States, after the first year, of unsold balances of sugar from this "financed quota" at the rate of 67,000 short tons a year and to be applied to Cuba's current marketing quota in the United States; yearly substitution of unsold sugar attached to the loan; approval of all sales of this financed sugar by the Export-Import Bank; interest on the loan at the rate of 3.6 percent per annum; and unconditional guarantee of the loan by the Government of Cuba. A further provision, reported as unacceptable to the latter and an obstacle to completing the arrangement, would require the proceeds of a tax levied on the total Cuban output of sugar at the rate of 6 centavos per Cuban bag (equivalent approximately to 34 United States cents per short ton) to be set aside as a collateral security. The revenue from this tax, amounting to around \$950,000 a year, is understood to be about equivalent to the amount of the carrying charges for 1 year, if none of the sugar has been sold.

According to recent reports, the question of Cuba's acceptance of the loan agreement rests with the Cuban Congress. A bill has there been introduced to authorize the Sugar Stabilization Institute to buy the quantity of sugar to be financed by the loan, to underwrite the loan with the Export-Import Bank, and to issue certificates to the Cuban sellers of the sugar entitling them to participate in any profits realized from future sales. Another sugar bill before the Cuban Congress has for its object extending for the duration of the loan the existing Cuban regulations regarding the allocation of production quotas to the various sugar mills. Some such measure of law is understood to be required by the Export-Import Bank in connection with the grant of the loan.

Senator ADAMS. Mr. Chairman, inasmuch as a number of briefs and documents and statements are being put into the record, something which we have not had the opportunity to hear or to ask any questions on, would I be afforded an opportunity, and others interested, to make some supplemental statement or reply after reading those statements?

Senator GEORGE. Yes, Senator Adams. I was going to make that statement.

¹⁰ These percentages representing quota allocations have been calculated on the basis of the initial total quota, exclusive of the additional contingent quota. Cuban quantity figures, originally stated in Spanish long tons, have been converted to short tons; both are on a raw-value basis.

I wanted to make this further statement: The Secretary of State is away from the city, but the Department advises that the Secretary may wish, or the Department may wish to appear or file a brief with reference to the bill, and you will, of course, be given the same opportunity with any statement that the State Department wishes to submit.

If the Secretary desires to appear in person, or have representatives from the Department appear in person, the committee would again assemble as soon as the Secretary returns, and we would have an opportunity to cross-examine them.

Senator VANDENBERG. I would like to repeat the request I made, Mr. Chairman, that if the report of the Department of Agriculture is adverse I think they should present it in person, so we can find out what their mental process is, if any.

Senator GEORGE. I do not think we would wish to compel them to come, but after the report has been received if you wish them to appear in person the committee will be pleased to ask someone to come down to present it.

The committee has been furnished with two telegrams, one signed by Edward Cannon, local 22219; Edward Gillespie, local 20225, and Joseph McFadden, local 22220, opposing the bill, and the other by the Committee for the Defense of Philadelphia's Cane Sugar Refining Industry which committee has likewise urged that the bill not be approved, and there is also a letter from the mayor of the city of Baltimore, which will be offered into the record, and the same opportunity will be given, of course, to the proponents of the measure, those friendly to it, to make such replies as they desire to make.

(The matter referred to is as follows:)

[Western Union Telegram]

PHILADELPHIA, PA., March 17, 1941.

SENATE FINANCE COMMITTEE,
Senate Office Building Washington, D. C.:

We wish to be recorded as opposing enactment of S. 937 now before your committee. Any further reduction in the amount of sugar we refine would cause hardships to our families and ourselves. We now only work part time.

EDWARD CANNON,
Local 22219.

EDWARD GILLESPIE,
Local 20225.

JOSEPH MCFADDEN,
Local 22220.

[Western Union Telegram]

PHILADELPHIA, PA., March 17, 1941.

SENATE FINANCE COMMITTEE,
Washington, D. C.:

We urge that you protect the Philadelphia Sugar Refining Industry and its 3,000 workers by refusing to pass bill S. 937. The passage of this bill would prove most detrimental to Philadelphia and its sugar refining industry.

THE COMMITTEE FOR THE DEFENSE OF PHILADELPHIA'S CANE
SUGAR REFINING INDUSTRY,
ARTHUR R. PEIFER, Director.

[Letterhead of City of Baltimore]

MARCH 17, 1941.

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

DEAR SIR: I am writing to you in connection with a bill, S. 937, on which I understand your committee is about to hold a hearing.

In 1940, I sponsored the formation of a Committee for the Protection of Baltimore's Cane Sugar Refining Industry, which included many prominent Baltimore citizens in its membership. This committee presented to its Representatives in Washington a great deal of evidence to the effect that our nonsubsidized refining industry be not discriminated against in any general sugar legislation.

Now there has been introduced S. 937, an amendment to the Sugar Act to give any deficit in the Philippine quota to the continental beet-sugar industry and other domestic producers. Since the Philippines send in about 1,000,000 tons of sugar a year, this would mean a very substantial drop in the amount of raw cane sugar flowing into the ports of the Nation. It would certainly constitute a very serious loss to Baltimore where sugar is the most important commodity entering the port, by weight and value, and where the sale of the finished product amounts to \$25,000,000 a year. This, of course, means jobs on the water front and docks as well as jobs in refining.

I understand that there have been some arguments made by the domestic producers to the effect that we are in a war emergency and that the more sugar we can grow at home the better off will be the Nation. I cannot give any weight to these arguments, in view of our experience of the last war, and of the present sugar picture. Every new pound of sugar produced on this continent means a new subsidy expenditure by the taxpayer. Furthermore, even with subsidies the beet-sugar industry cannot begin to fill this country's sugar needs. On the other hand, the warehouses of Cuba, Puerto Rico, and other Caribbean sugar islands are bursting with unsold sugar which we can obtain cheaply at any time. And here at home, in Baltimore and other refining cities, we have the handling, refining, and distribution facilities in abundance to make this sugar available to consumers.

I hope that you, and the members of your committee, will take these facts into account in consideration of S. 937, and come to the same conclusion I have, namely, that there is no justification for making a change in the act as it stands at the present time.

May I ask that this letter be included in the record of the hearing?

Very sincerely yours,

HOWARD W. JACKSON, *Mayor.*

Senator GEORGE. Is there anything else, Senator Adams, that you desire to state?

Senator ADAMS. I think not.

Senator TAFT. Mr. Chairman, for my information, would you ask the Department of Agriculture to put into the record the quotas for the last 5 years, and some brief statement for the reasons for the quotas and for the present revision in quotas?

Senator GEORGE. You mean with reference to both the domestic and foreign quotas?

Senator TAFT. Yes; the whole picture.

Senator GEORGE. Mr. Secretary, will you please ascertain precisely what Senator Taft has in mind, and submit that request to the Department of Agriculture so it may go into the record?

(Subsequently the following material was furnished by the Department of Agriculture:)

DEPARTMENT OF AGRICULTURE,
Washington, March 28, 1941.

HON. WALTER F. GEORGE,
Acting Chairman, Committee on Finance, United States Senate.

DEAR SENATOR GEORGE: At the recent hearing on S. 937 before the Committee on Finance, the Honorable Robert A. Taft asked Mr. Earle T. MacHardy of the Sugar division for information on acreage allotments to domestic sugar beet and sugarcane producers, on planted acreages of sugar beet and sugarcane in domestic areas, and on the distribution of sugar quotas by sources of supply.

We trust that the attached statement and tables, prepared in duplicate, contain the data desired by Senator Taft.

Sincerely yours,

DAVID MEEKER,
Assistant to the Secretary.

ALLOTMENTS TO DOMESTIC GROWERS OF SUGAR BEETS AND SUGARCANE UNDER THE SUGAR ACT OF 1937

There is attached a table showing planted acreage of sugar beets and sugarcane, and sugar production in the continental United States, 1933 to 1941.

As one of the conditions for payment to producers of sugar beets or sugarcane, section 301 (c) of the act provides as follows:

"That there shall not have been marketed (or processed) an amount (in terms of planted acreage, weight, or recoverable sugar content) of sugar beets or sugarcane grown on the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect interstate or foreign commerce, in excess of the proportionate share for the farm, as determined by the Secretary pursuant to the provisions of section 302, of the total quantity of sugar beets or sugarcane required to be processed to enable the area in which such sugar beets or sugarcane are produced to meet the quota (and provide a normal carry-over inventory) as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed."

The following statement explains the steps which have been taken to adjust production of sugar in the domestic sugar-producing areas to quota and normal carry-over requirements.

DOMESTIC SUGAR BEET AREA

Production of sugar in the domestic sugar beet area during the period 1935 to 1937 was not sufficient to meet the area's quota requirements. The 1938 crop of sugar beets, however, produced 1,803,000 tons of sugar, which at that time was the largest beet sugar crop in history. As a result, it was necessary to make allotments on the 1939 crop, but these allotments did not represent a reduction in the planted acreage for the sugar beet area as a whole. Under ordinary circumstances, allotments on the 1940 crop would have been required. However, the suspension of quotas at the outbreak of the European war in 1939 enabled the beet area to market about 243,000 tons more sugar than would have been possible under the quotas. In view of the removal of this large portion of the beet sugar surplus plus the fact that crop prospects in some parts of the area early in 1940 were extremely unfavorable, allotments on the 1940 crop were not made. However, due to exceptionally high yields of sugar per acre, a record beet sugar crop of 1,891,000 tons was produced in 1940, resulting in an effective inventory at the beginning of the calendar year 1941 of about 1,750,000 tons of sugar, or more than 150,000 tons in excess of the 1941 beet sugar marketing quota. It has been found necessary, therefore, to establish acreage allotments to individual sugar beet growers for the 1941 crop totaling 820,000 acres. The 1941 allotments represent a reduction of 16.2 percent from the acreage planted in 1940.

MAINLAND CANE SUGAR AREA

Beginning in 1935, production of sugar in the mainland cane sugar area increased steadily after an extended period of low production which was mainly due to mosaic disease infestation. The 1937 crop of sugar, which totaled 462,000 tons, was approximately equal to the 1937 quota for the area. Allotments were made on the 1938 crop, but, because of exceptionally high yields, a record crop of 583,000 tons of sugar was produced in that year. The 1939 acreage allotments made necessary by these conditions provided for a basic acreage adjustment of 25 percent, although some growers, because of unusual circumstances, were allowed to defer adjustment of acreage until 1940. No acreage adjustment has been required on the part of small growers with 10 acres of sugarcane or less. Since the mainland cane sugar area disposed of about 170,000 tons of sugar in excess of its normal marketing quota during the period in 1939 when quotas were in suspense, 1940 allotments made available sufficient acreage to produce approximately 500,000 tons of sugar. Actually, the total production of sugar in 1940, owing to

adverse weather conditions, amounted to only 341,000 tons. Since inventories of sugar in the area are now below normal, 1941 allotments total 300,000 acres, which, with normal yields, are expected to produce about 525,000 tons of sugar.

HAWAII

Hawaiian production of sugar was reduced about 10 percent in 1934 under the Jones-Costigan Act. Since that time, production in the Territory has not exceeded quota and normal carry-over requirements.

PUERTO RICO

Under the production adjustment program in effect under the Jones-Costigan Act, sugar production for the 1934 crop in Puerto Rico was reduced about 30 percent below the previous year. Under the present sugar legislation, restrictive growers' allotments have been in effect with respect to the 1937 and all subsequent crops. During the period when quotas were in suspense in 1939, Puerto Rican sugar producers were able to dispose of about 300,000 tons of carry-over inventory sugars, thereby permitting an increase in allotments for the 1939 crop in order to provide for a normal carry-over inventory in the area. Total allotments on the 1940 crop approximately equal quota and normal carry-over requirements, including local consumption.

Planted acreage of sugar beets and sugarcane and sugar production in the continental United States and sugar production in Hawaii and Puerto Rico, crop years 1933-41

Crop year ¹	Domestic sugar-beet area		Mainland cane-sugar area		Hawaii sugar production	Puerto Rico sugar production
	Planted acreage	Sugar production	Planted acreage	Sugar production		
	<i>Acres</i>	<i>Short tons, raw value</i>	<i>Acres</i>	<i>Short tons, raw value</i>	<i>Short tons, raw value</i>	<i>Short tons, raw value</i>
1933.....	1,038,000	1,787,000	234,000	250,000	1,060,000	1,117,000
1934.....	945,000	1,241,000	263,000	267,000	959,000	782,000
1935.....	809,000	1,268,000	275,000	383,000	987,000	638,000
1936.....	855,000	1,395,000	264,000	437,000	1,042,000	1,008,000
1937.....	816,000	1,378,000	317,000	462,000	944,000	1,087,000
1938.....	990,000	1,863,000	313,000	583,000	941,000	1,858,000
1939.....	990,000	1,758,000	277,000	507,000	994,000	1,026,000
1940.....	979,000	1,891,000	289,000	341,000	990,000	908,000

¹ Year shown is year in which crop was grown, except Hawaii for which sugar production in calendar year is shown.

² Acreage of sugar allotments to individual growers in effect under Sugar Act of 1937.

³ Conditional payments made on 953,000 short tons of sugar, raw value.

⁴ Adverse weather conditions resulted in a crop loss of about 50 percent in Louisiana.

⁵ Includes about 20,000 acres in excess of allotments, which produced about 30,000 tons of sugar.

⁶ Estimated.

Source: Official statistics of the Department of Agriculture.

Distribution of sugar quotas¹ among sources of supply, 1934-41

(Short tons, raw value)

	1934	1935	1936	1937	1938
Domestic beet sugar.....	1,556,160	1,550,000	1,342,179	1,417,009	1,584,083
Mainland cane.....	261,034	260,000	392,016	472,337	429,434
Total, continental.....	1,817,200	1,810,000	1,734,195	1,889,346	2,013,517
Hawaii.....	948,264	925,969	1,032,812	984,210	922,082
Puerto Rico.....	807,312	788,331	909,445	897,063	816,582
Virgin Islands.....	5,304	5,179	3,696	10,023	3,923
Philippines.....	1,005,602	981,958	1,000,829	998,499	991,020
Total, insular.....	2,766,482	2,701,437	2,946,782	2,889,795	2,732,607
Cuba.....	1,866,482	1,822,596	2,102,607	2,148,951	1,953,759
Other foreign.....	25,836	25,228	29,103	114,641	80,683
Total, foreign.....	1,892,318	1,847,824	2,131,710	2,263,592	2,034,442
Total, all areas.....	6,476,000	6,359,261	6,812,687	7,012,733	6,780,566

	1939 ²	1940		1941	
		Initial	Final ⁴	Initial	Revised ⁵
Domestic beet area.....	1,566,719	1,559,695	1,549,898	1,549,898	1,589,100
Mainland cane.....	424,727	422,823	420,167	420,167	430,794
Total, continental.....	1,991,446	1,982,518	1,970,065	1,970,065	2,019,894
Hawaii.....	948,218	943,967	938,037	938,037	961,764
Puerto Rico.....	806,642	803,026	797,982	797,982	818,166
Virgin Islands.....	9,013	8,972	8,916	8,916	9,141
Philippines.....	981,912	1,036,356	982,441	1,006,931	1,055,895
Total, insular.....	2,745,785	2,792,321	2,727,376	2,751,866	2,844,966
Cuba.....	1,932,343	1,923,680	1,749,744	1,869,060	1,959,947
Other foreign.....	85,812	26,581	24,177	25,826	27,082
Total, foreign.....	2,018,155	1,950,261	1,773,921	1,894,886	1,987,029
Total, all areas.....	6,755,386	6,725,100	6,471,362	6,616,817	6,851,889

¹ Final quotas from 1934 through 1939.² Duty-free quota in terms of short tons, raw value.³ Quotas suspended Sept. 11, 1939.⁴ Issued Sept. 18, 1940.⁵ Revised Mar. 19, 1941.

Senator ELLENDER. Mr. Chairman, may I inquire, has any time limit been set within which to file reports? Because, as was indicated by several witnesses, time is of the essence in reporting this bill to the Senate if any good is to flow from its enactment.

Senator GEORGE. Senator, no time limit has been asked of me. Of course, I am merely acting as chairman of the committee in Senator Harrison's unfortunate absence at this time.

Senator ELLENDER. Yes.

Senator GEORGE. The Secretary of Agriculture, in the letter which is in the record, states that his report on the bill is in process of preparation. As soon as it has been submitted to the Bureau of the Budget it will be filed with us. The State Department advises that they would like to have the opportunity, on the return of the Secretary on Monday, I think Monday, or early in the week—to either file a statement or to appear before the committee.

Senator Barbour of New Jersey has requested that a statement prepared by him regarding S. 937 be incorporated in the record. Without objection it will be inserted in the record at this point.

STATEMENT OF SENATOR BARBOUR RE S. 937, SENATE FINANCE COMMITTEE,
MARCH 18, 1941

I am vigorously opposed to the amendment to the Sugar Act of 1937 (S. 937) now under consideration by your committee, because of the effect this legislation would have, if enacted, upon the sugar refining industry of New Jersey. This bill would reduce the quantity of raw cane sugar coming into New Jersey to be refined and distributed and would transfer jobs and pay rolls in New Jersey and other refining States to the beet sugar producing States. If enacted, S. 937, would result in economical destruction of the cane sugar refining industry in New Jersey and other refining States.

Five thousand people are dependent for their livelihood on New Jersey's refining industry, of whom 1,500 are directly employed. In addition there are hundreds of others working in industries from which the New Jersey refining industry purchases its supplies, or are engaged in the handling of the raw sugar cane entering our ports, as stevedores, weighers, and so on. The New Jersey sugar refining industry has an annual pay roll of \$2,000,000, and each year it purchases about \$2,000,000 of supplies. It pays import duties each year of \$4,000,000, excise taxes of \$3,000,000 and State and municipal taxes of around \$100,000. The sugar refining industry, in other words, makes a valuable economic contribution which my State cannot afford to lose. The jobs thus created, the pay rolls maintained and the taxes paid all are contingent upon a continuous flow of a normal amount of raw sugar cane into our ports.

There is still another and vital reason why S. 937 would be contrary to the national interest, and that is the effect its passage would have on our Western Hemisphere defense program and on the Latin-American countries. This bill would be a double-edged blow to them—economically, because they are looking to this country for help on their surplus problem, and sugar is one of their largest surplus crops, and politically, because it would appear to be a direct reversal of our good-neighbor policy and Western Hemisphere defense. The funds of the Federal Treasury and of consumers—and I refer to the sugar subsidies paid to high-cost continental sugar producers—should not be used to aggravate the economic problems of our Latin-American neighbors, who are such important links in our defense program.

These are the reasons why I am opposed to S. 937 or any similar bill which would reduce the quantity of raw cane sugar brought into New Jersey and other States.

W. WARREN BARBOUR.

Senator GEORGE. The Resident Commissioner of the Philippines to the United States has likewise prepared and submitted a statement on this bill for the consideration of the committee, which will be incorporated in the record.

STATEMENT OF HON. J. M. ELIZALDE, RESIDENT COMMISSIONER OF THE PHILIPPINES TO THE UNITED STATES, ON S. 937 BEFORE SENATE FINANCE COMMITTEE

Mr. Chairman and members of the committee, with reference to the consideration by your committee of S. 937, a bill to amend section 204 of the Sugar Act of 1937, on behalf of the Commonwealth of the Philippines, I respectfully submit for your consideration the following statement:

As I understand it, the bill in question proposes to change the present provision of the Sugar Act of 1937 with respect to the allocation of any deficiency in the Philippine quota determined for the Philippines in any calendar year, making the recipients of such deficiency the domestic areas of continental beet, mainland cane, Hawaiian Islands, Puerto Rico, and the Virgin Islands, instead of foreign countries other than Cuba, as provided in the present law. The question involved in S. 937, therefore, is a matter for the administration and the Congress to consider. The Commonwealth of the Philippines will, as in the past, cooperate in every way in carrying out the intent and objective of the sugar stabilization program, as embodied in the present quota law.

Insofar as the Philippines is concerned, S. 937 does not change the existing sugar quota of 850,000 long tons, as provided in the Independence Act, guaranteed in the Sugar Act of 1937, and recognized in the International Sugar Agreement. Notwithstanding the fact that we have always been entitled to a higher allotment than the 850,000 long tons of duty-free sugar provided in the Independence Act, we have never taken advantage of the additional quota over and above the 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.

Mr. Chairman, I respectfully submit that the established duty-free quota of 850,000 is in the nature of a compact mutually agreed upon between the United States and the Philippines and, therefore, has the force and effect of a contract, inasmuch as, in consideration of the granting to us by Congress of a duty-free sugar quota to the extent of 850,000 long tons, we have pledged to open our market to the products of the United States without any customs duties, restrictions or quotas whatsoever. Consequently, I cannot emphasize too strongly that approval of S. 937 should not in any way be construed as a relinquishment of any of our rights to our present duty-free quota, and any deficiency that may result from present or future circumstances which we cannot anticipate, should not be considered as a reduction in our duty-free quota in succeeding years.

For the information of the members of your committee, may I be permitted to present data which, I believe, have a bearing upon the question of whether or not we will be able to fill our duty-free sugar quota this year. At the end of February, there were actually shipped for the 1941 quota 286,691 long tons of unrefined sugar, against 200,007 long tons for the same period last year, and 11,878 long tons of refined sugar, against 5,400 long tons last year. During March, up to the 13th, there were exported 34,330 long tons of unrefined sugar, making a total shipment to date of 332,899 long tons. Shippers are booking for space as fast as available and today they have already contracted shipping space for some 300,000 long tons.

It will thus be noted that, up to the present, there has been already shipped and booked for shipment, a total of approximately 635,000 long tons, or three-fourths of our sugar quota. Barring a major emergency in the Pacific, necessitating commandeering of ships, the Philippines will no doubt ship its entire quota for this year. On behalf of the Philippine Government, I can positively state that we are ready to do everything to facilitate the movement of our sugar to the United States.

Mr. Chairman and members of the committee, I thank you most sincerely for the kindness and indulgence you have shown in allowing me this opportunity to present our views for your consideration.

WASHINGTON, D. C., *March 17, 1941.*

Senator GEORGE. The committee has received communications from Mr. David T. Lamond, president, the Sugar Committee of the Port of New York, and from Mr. C. H. Callaghan, manager, the Maritime Association of the Port of New York, both of which will be inserted in the record at this point.

THE SUGAR COMMITTEE OF THE PORT OF NEW YORK,
New York, N. Y., March 17, 1941.

Senator WALTER F. GEORGE,
Acting Chairman, Senate Finance Committee, Washington, D. C.

DEAR SENATOR GEORGE: We understand that the Senate Finance Committee will hold hearings on S. 937 on March 18, 1941. The Sugar Committee of the Port of New York would like to have the opportunity of being represented at those hearings, but inasmuch as it is not possible for a representative to attend, we are asking you to incorporate the following statement in the record of the hearings. We are opposed to this bill since it would reduce our volume of business and the employment in it.

The Sugar Committee of the Port of New York represents employers of labor in every branch of the sugar industry in this port, such as shipping, storing, warehousing, financing, transporting, lightering, weighing, and distributing. From the standpoint of volume, sugar is the second most important commodity handled by these port facilities. The value of the products of the sugar industry in the port of New York amounts to about \$110,000,000 annually, and the auxiliary services performed by the firms and trades represented through this committee are estimated around \$10,000,000 a year. Our committee was organized to promote and defend this business of the port.

At a meeting of this committee held on March 3, 1941, there was adopted a resolution regarding a proposed bill, H. R. 3582, and we are sending a copy of this resolution to your committee. Inasmuch as H. R. 3582 is identical in purpose with S. 937, we are asking that your committee accept the resolution as applying to the bill under your consideration.

We hope that you will incorporate in the record of the hearings on S. 937 a copy of this letter and the accompanying resolution.

Respectfully yours,

DAVID T. LAMOND, *President.*

The Sugar Committee of the Port of New York, representing employers of labor in every branch of the sugar industry in the port (excepting sugar refining), such as shipping, storing, warehousing, transporting, lighterage, weighing, distribution, adopted on March 3, 1941, the following resolution:

Be it resolved, That this committee go on record as vigorously opposing the enactment of H. R. 3582, a proposed amendment to the Sugar Act of 1937, for the following reasons:

(1) It would directly reduce employment in the port of New York. H. R. 3582 would reduce the total quotas now assigned to offshore sugar producers, and this, in turn, would mean a reduction in the amount of sugar which could be brought into the port of New York and subsequently refined. The sugar industry in the port is depressed, at the present time, largely because the quota system does not permit the importation and handling of a normal amount of raw cane sugar.

(3) The proposed amendment would increase the cost of sugar to consumers. Essentially, the amendment would reduce the quantities of sugar coming from tropical islands in order to increase the production of sugar under subsidies in continental United States. Under the Sugar Act, any substantial increase in the production of sugar in continental United States at this time would bring a rise in both prices and subsidies.

(4) The proposed amendment would be directly contrary to the economic solidarity of the Western Hemisphere, and hence to our national-defense program. Cuba and other Latin-American countries now have enormous burdensome stocks of sugar due to the closing of their European markets. Any proposal to increase sugar production in continental United States is a proposal to increase the unsold surpluses in the Western Hemisphere. Such an increase of surpluses is directly contrary to the national policy as developed by President Roosevelt and Secretary Hull.

Be it further resolved, That a copy of this resolution be given effective distribution.

DAVID T. LAMOND, *President.*

March 3, 1941.

THE MARITIME ASSOCIATION OF THE PORT OF NEW YORK,
New York, March 17, 1941.

HON. WALTER F. GEORGE,
Acting Chairman, Senate Finance Committee
Senate Office Building, Washington, D. C.

SUGAR LEGISLATION

Sir: There is now pending before your committee an amendment to the Sugar Act of 1937, S. 937, which was introduced by Senators O'Mahoney and Adams of the two beet-sugar States, Wyoming and Colorado. This amendment provides that if the present Philippine sugar quota is not filled, then the deficit should be transferred to the so-called domestic sugar-producing areas. The present act provides that if there is a deficit, then that deficit should be allocated to foreign countries other than Cuba.

The Maritime Association of the port of New York, the largest association of its kind in the United States, must vigorously oppose such an amendment, because it would have the effect of substantially reducing the quantity of tropical raw sugar coming into continental United States. The basis of our objection lies in the fact that the members of our association are primarily interested in the transportation, warehousing, handling, storing, weighing, stevedoring, and distribution of commodities in import and export trade. Sugar is shipped into the United States in about 1,300 ocean-going vessels a year, and the freight charges on this sugar, including piloting, wharfage, stevedoring, and other allied charges,

are well in excess of \$5,000,000 yearly. It is obvious that the enactment of S. 937 would reduce this economic activity and the income arising from it.

On February 13, 1940, the Maritime Association adopted a resolution “* * * as opposing any Federal sugar legislation which would bring about a further reduction in the amount of cane sugar which enters the ports of the United States.” Our position in 1941 must be the same, and in the near future a special committee is to be appointed to develop material which is to be presented to Congress and the administrative branches of the Government, outlining our position in detail.

We understand that your committee is to hold brief hearings this week on S. 937 at which, unfortunately, we shall be unable to appear. In lieu of an appearance, we should like to say that we believe S. 937 would be contrary not only to our overseas trade, but to Western Hemisphere solidarity and national defense, and we ask that this letter be included in the record of the hearings.

Very sincerely yours,

C. H. CALLAGHAN, *Manager.*

Senator George. If there is nothing else now to go into the record, the committee will stand in recess until such time as the clerk may notify us that the departments have filed their report.

(On April 28, 1941, a report was received from the Secretary of Agriculture. The report is as follows:)

APRIL 25, 1941.

HON. PAT HARRISON,

Chairman of the Committee on Finance, United States Senate.

DEAR SENATOR HARRISON: Further reference is made to your memorandum of February 24, 1941, with which you enclosed S. 937 for a report by this Department.

It is the established policy of this administration to develop and improve our trade with other American republics and under present world conditions the need for encouraging such trade is greater than ever. The proposed legislation raises important questions of hemispheric trade and unity, which primarily concern the Department of State. However, this Department is pleased to present the following views and information for your consideration.

The bill proposes an amendment to section 204 (a) of the Sugar Act of 1937 under which any deficiency in the quota for the Commonwealth of the Philippine Islands would be reallocated to the domestic sugar-producing areas on the basis of the quotas in effect for such domestic areas at the time the deficiency of the Philippine Islands is determined. The present provisions of the act provide that such a deficiency in the quota for the Philippine Islands shall be prorated to foreign countries other than Cuba.

In its report to the Congress recommending enactment of the Sugar Act of 1937, the Senate Finance Committee included the following statement with respect to the policy embodied in the present act:

“Producers of American agricultural crops and industrial products which require export outlets for their surpluses and export industries are protected by continuance of the principle now in effect for sharing of the American sugar market as between foreign and domestic producing areas, and a provision for allotting any deficit of full-duty sugars, including any deficit of the duty-paying portion of the Philippine quota, among the countries supplying such sugar.”

A deficiency equal to the dutiable portion of the quota for the Philippine Islands was determined in each of the years 1937, 1938, and 1939. The following table shows the quotas for the Philippine Islands under the Sugar Act and under the Philippine Independence Act for each of these years, and the amount of the deficiency determined in each year.

Year	Philippine quota under Sugar Act of 1937	Philippine quota under Independence Act (short tons, raw value)	Amount of deficiency determined
1937.....	1,085,304	998,499	86,805
1938.....	1,044,903	991,020	53,883
1939.....	1,041,023	981,912	59,111
1940.....	982,441	982,441	0

No deficiency in the quota for the Philippine Islands was determined for the calendar year 1940 since the duty-free quota was equal to the quota under the Sugar Act in that year.

While any Philippine deficiency is allocated initially to all full-duty-paying countries which have quotas under the act, the major portion of such deficiency, as well as unused portions of the quotas for full-duty-paying countries, is finally reallocated under section 204 (b) of the act to a relatively small number of countries, chief among which are Peru and the Dominican Republic. The following table shows the original quotas for these two countries and their final quotas after reallocation of deficiencies for the years 1937 and 1938:

Year	Peru		Dominican Republic	
	Original quota	Final quota	Original quota	Final quota
1937.....	5,537	53,572	3,334	32,143
1938.....	5,967	67,005	3,580	6,168
1939.....	5,944	138,609	3,667	117,930

¹ Quotas suspended Sept. 11, 1939. Indicated items represent entries.

Both Peru and the Dominican Republic have filled virtually all of the final quotas allocated to them. During recent years the total trade of the United States with Peru and the Dominican Republic has improved substantially. The attached tables show the trade of the United States with Peru and the Dominican Republic for the years 1933 to 1940, inclusive.

With regard to the current year, the present Philippine quota under the Sugar Act is 1,055,895 short tons, raw value, while the quota which the Commonwealth may ship in free of duty under the Independence Act is equivalent to about 982,000 short tons, raw value. Therefore, the portion of the Philippine quota on which the full duty rate of 1.875 cents per pound is applicable at the present time is about 74,000 short tons. Heretofore no part of the Philippine quota on which the full-duty rate is applicable has been shipped to the United States.

You will readily appreciate that in view of the foregoing, this Department is unable to recommend passage of this legislation at the present time.

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

Sincerely yours,

CLAUDE R. WICKARD, *Secretary.*

Trade of the United States with Peru, 1933-40¹

Year	Total exports	Total imports
1933.....	\$4,985,000	\$5,472,000
1934.....	9,591,000	6,191,000
1935.....	12,174,000	7,462,000
1936.....	13,439,000	9,025,000
1937.....	16,007,000	10,525,000
1938.....	16,832,000	12,813,000
1939.....	19,240,000	13,946,000
1940.....	22,590,000	15,520,000

¹ Statistical Abstract of the United States, 1938, and official records of Office of Foreign Agricultural Relations, U. S. Department of Agriculture.

*Trade of the United States with the Dominican Republic, 1933-40*¹

Year	Total exports	Total imports
1933.....	\$3,520,000	\$3,279,000
1934.....	5,820,000	3,785,000
1935.....	4,518,000	4,983,000
1936.....	4,578,000	5,354,000
1937.....	6,469,000	7,377,000
1938.....	5,696,000	5,745,000
1939.....	6,780,000	5,824,000
1940.....	6,864,000	5,359,000

¹ Statistical abstract of the United States, 1938, and official records of the Office of Foreign Agricultural Relations, U. S. Department of Agriculture.

(On May 7, 1941, a report was received from the Secretary of State. The report is as follows:)

MAY 7, 1941.

The Honorable WALTER F. GEORGE,

Acting Chairman, Senate Finance Committee, United States Senate.

MY DEAR SENATOR GEORGE: I refer to Senator Harrison's letter of February 24, 1941, enclosing for my comment a copy of a bill (S. 937) to amend section 204 of the Sugar Act of 1937, and to my acknowledgment of February 27, 1941.

The bill under reference would change the method now provided in the Sugar Act of 1937 for reallocating deficiencies in the sugar quota for the Philippine Islands. I am glad to have this opportunity to comment on the bill, since it has an important bearing on our relations with the other American republics.

Under the Sugar Act of 1937 and under previous sugar quota legislation, foreign countries other than Cuba have had a basic quota amounting to less than four-tenths of 1 percent of our total sugar consumption. The quota for these countries usually amounts to about 25,000 tons. Most of the quota is allotted to our neighbor republics to the south, principally Peru and the Dominican Republic.

When the bill which became the Sugar Act of 1937 was being considered by Congress, I appeared before the Committee on Agriculture of the House of Representatives to discuss various aspects of the proposed legislation and the recommendations of the President which had a bearing on our foreign trade. I pointed out the small quota which had been allotted to foreign countries other than Cuba and the desirability of increasing this quota in order to expand our trade with these countries. In the Sugar Act as passed by Congress, a provision was included which was designed to achieve this very desirable objective. It is the provision in section 204 (a) of the act which authorizes the Secretary of Agriculture, in the event he finds that the Philippine Islands will be unable to market their entire quota, to allot to foreign countries other than Cuba an additional quota equal to the deficiency in the Philippine quota. This provision made possible the allocation of an additional quota to these countries without disturbing the basic division of the total sugar quota among the mainland sugar areas, our insular possessions, and Cuba.

Under section 204 (a), the following allocations have been made to foreign countries other than Cuba as a result of deficiencies in the Philippine sugar quota: in 1937, 86,805 short tons, raw value; in 1938, 53,883 tons; in 1939, 59,111 tons; in 1941, 73,232 tons. No allocation was made in 1940.

It is now proposed, in the bill under consideration, to change this provision of the Sugar Act in such a way that the entire amount of the Philippine deficiency would be allotted to domestic sugar-producing areas. The bill would therefore deprive foreign countries other than Cuba—primarily Peru, the Dominican Republic, Haiti, and other American republics—of any opportunity to supply sugar to the American market except for the small basic quota of about 25,000 tons which is provided for in the Sugar Act. These countries are now suffering severely from the restriction of their European markets for sugar and for other products as a result of the war. The enactment of this bill would amount to a public notice that the United States is indifferent to the grave problems confronting our neighbor republics. It would repudiate the policy of hemisphere defense and

the economic cooperation which the American republics agreed upon at the Habana Conference less than a year ago.

In view of the foregoing considerations, I recommend most strongly that the bill under reference be not enacted.

Since I understand that the Finance Committee will hold a hearing on the bill on May 8, I have not submitted this report to the Bureau of the Budget.

Sincerely yours,

CORDELL HULL.

(Whereupon, at the hour of 12:07 p. m., the committee recessed.)

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