

Vol.

8201-7

The United States Senate

Report of Proceedings

Hearing held before

COMMITTEE ON FINANCE

H. R. 4521

Amending and Extending The Sugar Act of 1948

Friday, August 17, 1951

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OFFICIAL REPORTERS
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WASHINGTON 6, D. C.

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H. R. 4521

AMENDING AND EXTENDING THE SUGAR ACT OF 1948

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Friday, August 17, 1951.

United States Senate,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to notice, at 10:00 o'clock a.m., in Room 312 Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Connally, Byrd, Johnson (Colorado), Kerr, Frear, Millikin, and Taft.

Also present: Elizabeth B. Springer, Chief Clerk.

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The Chairman. The committee will come to order.

Other members of the committee will take seats in the room before we finish the hearing this morning.

We are taking up -- the committee is taking up -- H. R. 4521.

(The bill referred to, H. R. 4521, follows:)

m2 The Chairman. Senator Ellender, we will be very glad to hear from you first if you are ready to proceed.

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

Senator Ellender. Yes, sir.

Mr. Chairman, I am very happy to have this opportunity to appear before you. The bill -- a companion bill was introduced by me in the Senate on June 18, with 30 co-sponsors. I am not going to take the time to name them, but I will ask that it be inserted in the record at this point.

The Chairman. Yes, the reporter will insert them, Mr. Senator.

(The information referred to follows:)

COMMITTEE INSERT

Senator Ellender. I wish to say that this bill has been agreed upon by both the domestic industry as well as all Departments of Government affected thereby. I know of no opposition to the bill from the domestic producers.

There was some, I understand, from some of the Cuban interests, and I wish to say at this point that personally I am very sympathetic to their views; but, at the same time, since the bill before you has been agreed upon by all Departments, I would hesitate at this time to try to make a change in it.

As a matter of fact, the bill restores, in effect, the amount of sugar for off-shore producers, not our possessions, to the same extent percentagewise as existed during 1937, which was about 4 percent of the difference between our consumption requirements and what was allocated in the bill for our domestic producers.

Mr. Chairman, I have before me a short statement reviewing sugar legislation in the past, and with your permission I would like to read it.

The Chairman. Yes, sir; you may read it, Senator.

Senator Ellender. Experience under the special sugar legislation of the United States, starting with the Jones-Costigan Sugar Act of 1934 and continuing through the Sugar Act of 1937 to the Sugar Act of 1948, has demonstrated that necessary protection can be given to the domestic sugar industry in a manner consistent with the interests of con-

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sumers and with the present international trade policies of the U. S. We all know the history of the long period during which the domestic sugar industry was protected only by a tariff. Despite a tariff of 2 cents per pound applicable to Cuban raw sugar, and 2½ cents per pound applicable to sugar from other foreign countries, our domestic sugar industry fell to the depths of depression and the Cuban industry reached a condition of economic chaos in the early 1930's; and I may interpolate at this point, during the early thirties, Cuba received as low as 1.1 cents per pound, I think, and now is receiving five -- a little over five -- cents a pound, and the production has increased almost three-fold.

In 1933 the Tariff Commission reported to the President that further increases in the tariff would be useless and that a quota system was necessary to bring recovery to the American and Cuban sugar industries. The Jones-Costigan Sugar Act and our succeeding sugar acts are an outgrowth of the studies made by the Tariff Commission and the Department of Agriculture, and of the long hearings and studies made by both houses of Congress.

I am sure that this Committee remembers the essential features of our present sugar legislation. Its purpose is to maintain and protect a domestic sugar producing industry of moderate size and to achieve prices which will not be excessive to consumers. In other words, our sugar legisla-

tion is designed to maintain stability by avoiding shortages which bring high prices to consumers. This stability is achieved through a system of marketing and import quotas for domestic and foreign producing areas.

As a means of insuring compliance with the provisions of the programs in the domestic areas, a tax of one-half cent per pound, raw value, is levied against sugar, and payments are made to growers who comply with the conditions of the program. These payments range from 80 cents per 100 pounds for production of less than 350 tons of sugar per farm down to 30 cents per 100 pounds for production in excess of 30,000 tons per farm. Therefore, the program gives greatest assistance to the small producer and least assistance to the large producing units. In order to qualify for Sugar Act payments a grower must meet the following conditions: (a) he must not have produced in excess of his proportionate share of the quota for his area; (b) if the grower is also a processor, he must pay fair prices to producers from whom he buys sugar beets or sugarcane; (c) the grower must pay fair wages to laborers employed by him in the production of his crop; and (d) the grower must employ no child labor.

Although the sugar program was designed merely to be self-financing, it has actually yielded the Government a large net return. In round figures, tax collections and expenditures from the inception of the program in 1934 through

1a fiscal year 1950 have been as follows:

Taxes collected during that period, \$987 million; conditional payments and expenses of administering the Sugar Act, \$757 million or an excess of taxes over expenditures, \$230 million. For the three years 1948 through 1950 the annual average collections and expenditures have been as follows:

Tax collected, \$76 million; conditional payments and expenses for administering the Sugar Act, \$60 million, thereby annual average excess of taxes over expenditures of \$16 million.

Any doubt that the Sugar Act is designed and administered for the benefit of consumers as well as producers should have been ended by the experience of the past year. Throughout almost the entire period since fighting broke out in Korea in June last year world prices for sugar have been above domestic prices. In late June, about the time the bill for extending the Sugar Act was introduced, the world price of sugar reached a peak of 8.05 cents per pound, f.a.s. Cuba. At that time the duty-paid domestic price was 6.75 cents per pound, equivalent to approximately 5.75 cents per pound, f.a.s. Cuba. Accordingly, at that time the Sugar Act was responsible for keeping the domestic price of sugar \$2.30 per 100 pounds below the level that it would have reached in the absence of quotas. That was \$2.30.

On Wednesday, August 15, the world market reached 5.38

cents per pound, f.a.s. Cuba, but Cuban producers still received around $\frac{1}{2}$ cent per pound more for world sugar than they did for sugar to ship under quota to the United States.

The accomplishments of the Sugar Act have been impressive. Our sugar legislation has given necessary stability to our domestic sugar producing industry and has made it possible to bring about a reduction of 75 percent in the tariff on sugar. From 1933 to 1950, while the price of all foods rose 143 percent, the price of sugar rose only 84 percent. The shares of the consumers' sugar dollar which go to growers and laborers have increased greatly with the result that average returns to growers per ton of sugar beets and sugarcane have increased by 170 percent since 1933, and average wage rates for field labor in our domestic sugar beet and sugar cane areas have increased 293 percent over the 1934 level. Grower returns from sugar beets and sugarcane produced in the domestic areas rose from \$133 million in 1933 to \$432 million in 1950. Our sugar legislation, therefore, has brought economic restoration to our domestic sugar producing industry. It has also brought prosperity to the Cuban industry.

Wages in the domestic sugar areas are among the highest in the world. Sugar prices to consumers in the U. S., on the other hand, are among the lowest in the world in countries not having consumer subsidies. Domestic sugar prices have not participated in the inflationary trend that

has affected prices of many other products since the termination of price controls. During the period that the Sugar Act of 1948 has been in effect, the price of sugar has been the lowest in comparison with the prices of other foods that it has been in the history of the country.

We all know as a matter of practical fact that this stabilization program for sugar must continue. We cannot think of subjecting the 50,000 growers of sugarcane and sugar beets, or the 350,000 laborers in our sugar fields and sugar factories, to the vagaries of the world market and the competition of cheap foreign labor.

The Committee on Agriculture in the House of Representatives has just completed extensive hearings on the proposed extension of the Sugar Act. During these hearings representatives have been heard and statements have been received from representatives of various branches of the sugar producing, processing, and distributing industries, and from representatives of laborers and industrial users, as well as representatives of various foreign producing countries. It is significant that no single representative appearing during those entire hearings expressed opposition to the continuance of the Sugar Act. Only a few proposals were made only for revisions in the bill. After giving consideration to all the testimony the House Committee on Agriculture found it desirable to make one revision, the addition of a liquid sugar

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quota of 300,000 gallons for the British West Indies. This will enable importers of fancy Barbados molasses to import such product without blending, if they desire, even though it meets the technical qualifications of liquid sugar. This revision seems desirable since it eliminates a potential difficulty confronting importers of Barbados fancy molasses.

The bill will extend the Sugar Act for a period of 4 years, from December 31, 1952 to December 31, 1956. The excise tax on sugar would be extended until June 30, 1957, 4 years after its present date of expiration. The only other essential revisions in the Act involve quotas.

The mainland quota for Puerto Rico will be increased by 170,000 tons or from 910,000 tons to 1,080,000 tons. This should eliminate most of the difficulties that have confronted Puerto Rico under the Sugar Act of 1948, during which time its production has been substantially in excess of the quantity it could market locally and on the mainland.

The quota for the Virgin Islands would be increased from 6,000 tons to 12,000 tons. This should help to make it possible for the Virgin Islands Corporation to prevent losses in the future, as directed by Congress.

No change is made in the quotas for the mainland cane area, the beet area, Hawaii, or the Republic of the Philippines.

The bill will restore the relative participation of Cuba

and full duty countries in the U. S. market to the percentage participation they held in the prewar period, 1937 to 1941, as I indicated a few moment ago.

Under the Sugar Act of 1937 the full duty countries received a basic quota, plus all of the deficits resulting from the failure of the Philippines to fill their quota. As a result, the imports from full duty countries amounted to 4 percent, and those from Cuba amounted to 96 percent of total imports from foreign countries in the years 1937 to 1941. Under the Sugar Act of 1948 the relative basic quotas for Cuba and the full duty countries remained the same as they had been in the prewar period, but 95 percent of the Philippine deficit was given to Cuba and only 5 percent to the full duty countries. As a result, full duty countries have not been permitted to continue their prewar participation in our market. The bill will restore the full duty quotas to 4 percent and give 96 percent to Cuba of our imports from foreign countries other than the Republic of the Philippines.

The proposed bill will also modernize the basis for prorating the full duty quota among the respective countries. At present the full duty quota is prorated on the basis of a regulation which, in turn, is based on imports during the years 1926, 1929, and 1930. The bill provides that this proration be made on the basis of the postwar years, 1948, 1949, and 1950.

gla The other revisions will provide administrative simplicity and flexibility, and I wish to say, I understand that Mr. Myers is here, and will go into details as to that phase of the bill.

Sugarcane now being planted in Hawaii and Puerto Rico will not be harvested until 1953. Sugar beets planted in the Imperial Valley of California a few weeks from now, and crops planted in the sugar beet and mainland cane areas next spring will be sold at prices based at least in part on the price of sugar during 1953. Therefore, if our sugar legislation is to be fully effective in stabilizing domestic production, the legislation needs to be extended promptly so that growers will know at the time they plant their crops that it will be in effect at marketing time.

Mr. Chairman and gentlemen of the Committee, I wish to thank you very much for this opportunity.

The Chairman. Thank you very much, Mr. Ellender. We are very glad to have you appear.

Are there any questions that any member of the Committee wishes to ask Senator Ellender?

If not, we appreciate your appearance.

Senator Ellender. Thank you, sir.

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The Chairman. Mr. Myers, I believe you are next down the list this morning. You may be seated. You are the director of the Sugar Branch, are you, of the United States Department of Agriculture?

STATEMENT OF LAWRENCE MYERS,

DIRECTOR, SUGAR BRANCH, PRODUCTION AND MARKETING

ADMINISTRATION, DEPARTMENT OF AGRICULTURE.

Mr. Myers. I am, Senator.

The Chairman. You were here in 1934 when we passed the original Sugar Act, were you?

Mr. Myers. I was in the Department of Agriculture, but I did not get into the sugar work until 1946. I have been in the Department since 1927.

The Chairman. Yes, sir; we will be very glad to hear you on this present bill.

Mr. Myers. Mr. Chairman and gentlemen, in order to conserve the time of this committee, I shall not undertake to review the background, purposes and nature of the Sugar Act and the need for its continuation.

Senator Ellender has already reviewed that phase briefly, and it was gone into quite amply in the hearings of the Committee on Agriculture of the House of Representatives. I understand that your committee has that record before it.

The Chairman. We have the record; yes, sir.

Mr. Myers. I shall observe merely that no witness who

5 appeared before the House Committee recommended against the passage of the bill, and only four recommendations were made for revisions in the bill. These proposals were as follows:

1. That the Act be extended for two years rather than four years.

2. That the Secretary of Agriculture be required to make determinations of consumption requirements, that is, total quotas, of not less than the average quantity distributed domestically in the two preceding years.

3. That the division of import quotas between Cuba and full-duty countries remain as now provided for under the Sugar Act of 1948.

4. That the definition of liquid sugar be revised.

I wish to discuss these four proposals.

1. Proposal for extending the Act two years:

As I understand, the purport of the argument made for this proposal was that some of the industrial-user representatives feel that, although conditions are satisfactory from their point of view at present, they would like to keep the program rather continuously under their review. Since the world price was so far above the domestic price at the time this proposal was made and since the quota system was the only known factor keeping domestic prices below the world level, it was quite obvious that no representative of consumers or industrial users could have recommended the immediate abolishment of the Act. I can under

stand very well the desire of consumer groups to keep a close check on the operations of the Sugar Act. In fact the Department of Agriculture has, under the Sugar Act of 1948, established the practice of holding public hearings prior to the time the Secretary makes his annual determination of requirements. We have strongly urged participation by all consumer groups at these hearings and at other times so that we can have the benefit of their views and information as well as the views and facts presented by producer groups. It does not seem feasible or necessary, however, to extend the Act for such a short period as two years in order to assure the continued protection in the interests of consumers. If the Department of Agriculture should change its policy with respect to the administration of the Act and adopt practices contrary to the reasonable interests of consumers, complaint could be registered immediately either with the Department, or with Congress, or with both.

During the war, Congress would from time to time extend the Act on an annual basis, but at that time all of the quota provisions were in suspense and there was never any doubt that the Act would be continued and that other measures, such as the price support program, would be continued in an effort to obtain larger supplies for relief from the sugar shortage. During peacetime a two-year extension would seem much too short from the standpoint of producers.

It would cover only a part of a rotation period in the

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beet area. It would cover only two cuttings or half the life of a single planting of mainland or Puerto Rican sugarcane. It would cover only a single cutting or about 1/4 of the average life of a planting in Hawaii. Assurance for the future is vitally necessary for the welfare and efficient operation of the industry. Investments in sugarcane and sugar beet farms, factories and refineries amount to around 1-1/4 billion dollars. The livelihood of 50,000 growers and 350,000 laborers is involved. Industries of that size cannot operate on a short-time basis. Cuba, incidentally, wished to have the Act be extended for a longer period than 4 years. Domestic producers, however, who have had their quotas fixed from 1948 through 1952 under the present Act and who will have their quotas fixed for the period 1953 through 1956 under the proposed extension, did not feel that they could agree to these quotas for a longer period of time.

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2. The proposal that the Secretary of Agriculture be required to make the determination of consumption requirements and quotas at not less than the average distribution of the 2 preceding years.

This again is a proposal to safeguard consumers against possible future injury at the hands of the Department. Again, the proposal was not designed to correct a condition actually experienced under the present Act. If the proposal had been in the present Act it would have caused no significant revision in any of the determinations made to date. Under normal conditions it would not be likely to have any significant effect in the future. The Secretary of Agriculture is already required to base his determination on distribution during the 12 months ending October 31 of the year preceding that for which the determination is made. Any changes from that phase must be justified in accordance with provisions of Section 201 of the Act.

The only time that such amendment might have an effect would be in a year of depression or sharp inventory reduction following one year or two years of high distribution. It is not possible to determine whether such a condition might exist at some future time. It would seem unfortunate, however, to render the Act ineffective for protecting producers if such a sharp, temporary depression should occur at some future date.

This, I might say, has been one of the most misunderstood

provisions of the proposed bill.

3. Division of Import Quotas Between Cuba and Full-Duty Countries.

The Sugar Act of 1948 was written on the assumption that Cuba would face a difficult readjustment period, presumably accompanied by a depression, between 1948 and 1952. To compensate Cuba for having more than doubled its production of sugar, between 1940 and 1947 and for having sold most of its supply for use in the United States and Allied countries at moderate prices during a period when the free world prices of sugar were highly inflated.

Two principle means were employed to assure maximum benefits for the Cuban industry. First, fixed quotas were established for the domestic areas and the Philippines in place of the percentage quotas established in previous Acts. This gave Cuba practically the entire benefits of increased consumption in the United States. Second, 95 per cent of the Philippine deficits was given to Cuba and 5 per cent was given to full-duty countries. In the Sugar Act of 1937 the entire Philippine deficits went to full-duty countries. It was recognized that Philippine deficits would be large when the Act first went into effect. Later, as the Philippine deficits would be reduced the increase in domestic consumption would be sufficient to insure Cuba of reasonable markets.

Actually the Cuban sugar industry has experienced

unprecedented prosperity during the life of the Sugar Act of 1948. Record and near record crops have sold at satisfactory prices. Because of the very high prices existing in the world market last spring and the large crop -- next in size to 1947 and 1948 crops -- the value of the 1951 Cuban crop approximates \$700,000,000 compared with the peak of \$1,000,000,000 during the inflation year of 1920. Never before in history has Cuba produced 4 such large crops as those produced under the Sugar Act of 1948 and never before in history has it sold 4 successive crops for so much money. Accordingly, the argument that we must reduce quotas for other areas in order to ameliorate conditions in Cuba, is no longer tenable.

I have a chart which, if you glance at it quickly, shows a tremendous increase in the value of the Cuban crop.

The proposed amendment gives Cuba a quota equal to 96 per cent of this countries import requirements from all foreign countries other than the Republic of the Philippines. Since the quotas for the domestic area and the Philippines will again be fixed for the period of the extension, Cuba will continue to be the major beneficiary of increased United States consumption. It will receive 96 per cent of any Philippine deficits and it will continue to share proportionately with domestic areas in any domestic deficit. A new provision is added under which it will be possible to reallot to Cuba any deficits that may occur in the quota for full duty countries.

No issue has been raised with respect to the increased quotas for Puerto Rico and the Virgin Islands.

The bill will restore to the full-duty countries the participation of 4 per cent that they enjoyed in our market during the pre-war period. During the 5 years 1937 through 1941, inclusive, average imports from Cuba amounted to 2,095,000 tons annually or 96 per cent of all total imports from foreign countries. During the same period imports from full-duty countries averaged 87,000 tons or 4 per cent of all total imports from foreign countries. During the three years 1948 through 1950, inclusive, under the Sugar Act of 1948, average imports from Cuba have amounted to 3,098,000 tons annually or 98.3 per cent of the total, and imports from full-duty countries have averaged 53,000 tons annually or 1.7 per cent of the total imports from foreign countries other than the Republic of the Philippines.

This Government received many criticisms because of the fact that in operation the Sugar Act of 1948 gave full-duty countries a smaller participation in this market than they enjoyed under the Sugar Act of 1937. It was argued that this violated our agreements with foreign countries and that it more than nullified the effects of the reductions made in tariffs on full-duty sugar. The restoration of the full duty quota to the pre-war percentage should answer these criticisms.

The bill also will revise the basis for prorating the full-

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duty quota among the recipient countries. The Act now requires this quota to be prorated on the basis of a regulation issued by the Department of Agriculture in 1936. This regulation in turn was based on imports for the years 1926, 1929 and 1930. Needless to say, tremendous changes have occurred in the sugar economy of the world during the past 25 years.

Under the present Act the Secretary of Agriculture is required each year to establish prorations for 27 foreign countries despite the fact that only 11 such countries have shipped the U. S. any sugar at all during any of the past 3 years and only 6 of the countries have shipped the United States as much as 1,000 tons of sugar in any one of the past 3 years. As evidence of the complete absurdity of the present requirements, I call the Committee's attention to the fact, shown in one of the accompanying tables, that for 1950 initial quotas were established of 7 pounds for the Dutch West Indies, 32 pounds for British Malaya, 144 pounds for Germany and 250 pounds for Australia. I am sure that your Committee will agree with me that this is just statistical tiddlywinks.

Each September it is necessary to reallocate the unused quotas to countries that have filled their quotas by that date. The final quotas and actual imports from full-duty countries have little relationship to the initial quotas established each year. Much of the misunderstanding that appears to have arisen with respect to the increase in the quota for full-duty countries

appears to have resulted from comparisons of the initial prorrations for some of the countries with the prorrations such countries would receive under the bill. A comparison of the final prorrations and actual imports of sugar under the present Act with the quotas that would be established under the bill would eliminate much of this confusion.

4. Definition of Liquid Sugar.

A particularly large segment of the record of the hearings before the Committee on Agriculture of the House of Representatives concerned a proposal for revising the definition of liquid sugar. Under this proposal the definition of liquid sugar would have been revised by reducing the percentage of soluble non-sugar solids to total soluble solids from 6 per cent, to 5 per cent.

I shall not undertake to review the various facts and arguments presented. I do, however, attach and call the Committee's attention to a statistical table and chart comparing analyses of the various edible molasses and sirups with liquid sugar and showing the range of the non-sugar solids content of crystalline sugars. These facts demonstrate clearly how far from the field of typical molasses and sirups a proposed revision would go and how far it would cut into the field of sugar.

Another attached chart shows the extent to which the utilization of various unrationed sirups and molasses was increased during the world war period when sugar was rationed.

Those facts and many others show that typical molasses, refiners' sirup, and sugarcane sirup with their relatively high percentages of soluble non-sugar solids are used as sweeteners as well as for flavoring. As the percentage of soluble non-sugar solids, that is, as to molasses is reduced, the material becomes more bland and is used more completely as a sweetener rather than for its flavor.

During the course of the hearings great emphasis was placed by the proponents of the revision of the definition upon Barbados fancy molasses. Yet during the first 6 months of the current year imports of Barbados molasses amounted to only 37,000 gallons whereas total imports of edible molasses rose to 4,840,000 gallons, the highest for any entire year except 1941 and 1942.

I might say that this present definition has not stopped a single cargo from being imported since 1944, and then the cargoes were easily treated in bond, so that no difficulty arose there.

Study of this problem has convinced the Department of Agriculture of the following:

(1) Any revision of the proposed definition would apply primarily to Cuban molasses and only slightly to Barbados molasses.

(2) The facts do not justify any downward revision in the percentage of soluble non-sugar solids content in the definition

of liquid sugar.

(3) The proposal for revising the definition of liquid sugar is primarily an effort to get the import compensating tax eliminated from all or a portion of the imports of liquid sugar. The revision could also be expected to provide additional advantages under the tariff.

The advantages from these two sources would amount to 75 cents per hundred pounds of sugar content or roughly \$60,000 for each million gallons of imports permitted under the revised definition. Additional cost advantages would accrue from the fact that the sugar would be brought to a higher degree of refinement in the foreign areas of production where labor costs are lower than they are in the United States.

The Department of Agriculture would recommend most strongly against a revision of the liquid sugar definition which would permit the importers of liquid sugar to gain major competitive advantages over refiners or importers of crystalline sugar through elimination of the compensating tax and a part of the tariff on their products.

The action of the House of Representatives in providing for a liquid sugar quota of 300,000 gallons for British West Indies should take care of any real problem that might arise with respect to the importation of Barbados fancy molasses. The Department of Agriculture is in complete accord with the action taken by the House of Representatives on this matter.

I thank you very much.

The Chairman. Any questions of Mr. Myers by the members of the Committee? If not, Mr. Myers, we thank you for your appearance.

(Tables and Charts submitted by Mr. Myers are as follows:)

The Chairman. We will be glad to hear now from Mr. Kemp.

STATEMENT OF FRANK A KEMP,

EXECUTIVE COMMITTEE CHAIRMAN, AMERICAN SUGAR BEET
INDUSTRY POLICY COMMITTEE.

The Chairman. Mr. Kemp, you appear on behalf of the domestic sugar industry?

Mr. Kemp. Yes, sir, I do.

The Chairman. All right. We will be very glad, Mr. Kemp, to hear you.

Senator Millikin. Mr. Chairman, I would like to say that Mr. Kemp is one of the great outstanding citizens of the West. He lives in Denver, Colorado. We had gone to school together when we were young fellows. He was a great football player and student while he was at school. He had a gallant record in World War I. He is a fine fellow.

The Chairman. I am quite sure, Senator, that we are glad to hear Mr. Kemp.

Mr. Kemp. Thank you very much.

Senator Johnson. Mr. Chairman, while I cannot say that I went to school with Frank, I can vouch for all the rest of what Senator Millikin just said.

Mr. Kemp. I am beginning to get a little embarrassed here, sir.

Senator George and members of the committee:

My name is Frank A. Kemp. My home is in Denver, Colorado.

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I am President and General Manager of the Great Western Sugar Company, and Executive Committee Chairman of the American Sugar Beet Industry Policy Committee which is composed of representatives of every sugar beet processor and also of the more than twenty beet grower associations in the country.

It is the duty of every witness before this Committee not to add to its burden in considering legislation before it. In the hearings on the Bill before you by the House Committee on Agriculture, I appeared as a single witness for all five of the great domestic sugar-producing and refining groups. I appear here today at the request and on behalf of the same groups: namely, the sugarcane growers and processors of Louisiana and Florida; the American growers and processors of sugar beets; the Association of Sugar Producers of Puerto Rico; the Hawaiian Sugar Planters Association; and the United States Cane Sugar Refiners Association which includes in its membership the large majority of the refiners of cane sugar from Massachusetts through Georgia to Louisiana, Texas and California. I appear before you at the request and on behalf of each of the five groups I have mentioned.

I have assumed that I should not take the time of this Committee in simple repetition of what was said in the House hearing but should confine my remarks to the briefest possible summary of views which the industry believes should be expressed to you.

11 The Sugar Act of 1948 expires at the end of next year. However, the probability or improbability of extension will commence to exercise influence long before the due date of expiration. The acreage of sugar beets that will be grown by sugar beet farmers in 1952 will be determined in the next few months; decision as to the acreage of cane to be planted in Florida, Louisiana, Hawaii and Puerto Rico, in 1952, cannot await the conclusion of that calendar year. It is in the vital interest of every area that legislative action be completed in 1951 in order that there will be no period of doubt and uncertainty that may affect plantings in the industry, the volume of production of any of the groups, or necessary preparations and plans for continuing operating procedures and requirements. It is of tremendous importance to every sugar group that the decision of the Congress as to the extension of sugar legislation be completed this year. It is also of importance that the Act be extended for a term of years long enough to make possible intelligent planning by the industry and by those trading with it.

 Sugar legislation embodying major principles of the Act under consideration has been in effect for 17 years. That long period has given full opportunity for familiarity with the law, its operation and its effects. It has provided a measure of needed stability to the industry. It has had the effect of assuring the production of the required sugar supply. And it

12 has made that supply available at prices which certainly have not been excessive to consumers.

Legislation of the type of the various Sugar Acts must in its very nature include a series of compromises and concessions affecting every group. Neither in the present law nor in the proposed extension, nor in any of the predecessor acts, has any sugar interest received all that it hoped the act would provide. Learning from experience, however, the various segments of the industry have come to understand that, in the light of the overall advantages of the legislation, good judgment dictates the acceptance of necessary compromises. It is in that spirit that the various American sugar groups appear before you through me today.

I wish to emphasize that the industry in great part recognizes that the fabric of the law is one piece, that it makes a complete and indivisible whole and that, because of the interdependence of its provisions and certain results, a single subject, such as for example the size of an insular refined quota, cannot be cut out for separate consideration.

The extension act before you is the product of long and careful consideration by a working group from the Departments of Agriculture, State, and Interior. Secretary Brannan's letter to the Vice President shows that the bill also reflects the views of the Treasury Department and of the Tariff Commission. Such changes as the extension act provides in existing legislation

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are, with only one exception, intended largely to take care of conditions and circumstances which have developed since the Act now in effect was adopted. I think it quite proper to say that such changes bring the present law more nearly up to date.

The one substantive change was made by the House Committee on Agriculture itself in providing for the first time in the history of sugar legislation in this country a liquid sugar quota for the British West Indies. The granting of such quota was intended by the House Committee to relieve certain importers of molasses. It should meet their reasonable and practical requirements. We think there can be no proposal or justification for tax avoidance -- a door that many believe would be opened through relief to molasses importations in a manner other than afforded by the House.

The Sugar Act of 1948 has behind it a fine record over the years it has been in effect. It has stimulated production. It has made for even greater assurance of an adequacy of supply at fair prices. Published statistics on levels of sugar prices compared with the general cost of living, with figures on the average cost of all foods, with figures on the cost of particular commodities, show very clearly that prices have prevailed on sugar in the United States which have not been excessive to consumers.

Last Monday in the two hours during which the bill was discussed prior to its passage in the House, no single member

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of the House opposed its enactment or objected in principle to any of its major provisions. The bill was passed unanimously and without a dissenting vote.

Mr. Chairman and gentlemen of the Committee, each of the five great American sugar-producing and refining groups has directed me to express to you their joint and separate endorsement and approval of the bill as passed by the House and their earnest hope that it will receive your early and favorable consideration.

Thank you very much.

The Chairman. Any questions? If not, we thank you, Mr. Kemp, for your appearance.

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Kemp stmt.

STATEMENT OF THURMAN ARNOLD,
COUNSEL, AMERICAN MOLASSES COMPANY; ACCOMPANIED
BY F. C. STAPLES, VICE PRESIDENT, AMERICAN
MOLASSES COMPANY.

Mr. Arnold. Mr. Chairman, Mr. Staples is here just to correct me in case of an unintentional mistake.

The Chairman. Yes. You wish to appear, as you advised the committee, on this bill. We will be glad to hear you.

Mr. Arnold. Mr. Chairman, we in the American Molasses Company have been represented as attempting to carve a loophole in this Act which will let in huge quantities of liquid sugar.

I think our problem has been completely misunderstood. The record is exceedingly complicated and I do not see how you Senators have time to read it. So, I am simply going to summarize the basic elements of the position we take and the argument we make.

First, let me make it clear about what our business is. We import from Barbados about $3/4$ of a million gallons of molasses, edible molasses, and from Cuba we will import this year about 1,600,000.

The figures which Mr. Myers just gave you about 37,000 from Barbados are misleading -- not incorrect -- because the molasses has just started to come in. It was being made during the previous period, and we expect or we hope to import about $3/4$ of a million gallons.

Now, our principal product is Grandma's Molasses, which is a blend of Barbados and Cuban molasses.

It cannot be made with any other molasses. The reason is that it has a distinctive taste traditionally, to which a certain number of the public have been educated since early Colonial days. It makes gingerbread, baked beans, molasses candy and cookies, and all sorts of products which have to have a distinctive molasses flavor. If we do not have that flavor, we do not have the market. The market is not unlimited, although it is growing. It is not a large business. However, we are a large business in this field; we are, I think, about 80 percent in that particular field.

Now, Grandma's Molasses, which is our most important molasses, is made of Barbados imported molasses. Our less popular blends are made by blending Louisiana First Molasses. But, the backbone of our molasses business, the thing we advertise and have advertised for 75 years, is Grandma's Molasses.

Now, we can understand the point of the Department of Agriculture, if we were really trying to lower the content of liquid sugar in such a way that it will apply to all liquid sugars.

But, that is not what we are trying to do. We are trying to lower the impurities in liquid sugar only as they apply to molasses.

Molasses is completely distinct from liquid sugar. Liquid

sugar has little color and small impurities -- they call them "soluble non-sugar solids," but that is too hard to say -- and it is not good for flavoring, it is simply a sweetener.

Grandma's Molasses, this thing to which the public has been educated historically to like, has a high flavor, an aroma, a dark color, and it comes not from sugar. Its source is not sugar, but its source is cane juice. So, it is very easily distinguishable by color, flavor and source.

We have no difficulty in telling it apart from liquid sugar and we do not think that anyone else can have any difficulty in telling it apart from liquid sugar, and it is just that small part, less than a fraction of a percent of the sugar market, which we are interested in.

The intent of the Act, I believe, was not to destroy or to impair the molasses business.

Since 1941 most molasses was allowed 6 percent impurities and that was made the test. We never liked the test because we do not think we are liquid sugar. We think we can be distinguished from liquid sugar. But, since 1941, that has been the test and it has worked pretty well, but today we are most apprehensive and we believe that within four years we will be possibly out of the molasses business on this test.

I wish to introduce a letter of which I will read only a part, to conserve the time of the committee, from Mr. Saar, the president of the American Molasses Company. He says:

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"For the past fourteen years we have been continually confronted with difficulties in our efforts to continue importations of fancy molasses from the West Indies, specifically Barbados and Cuba, because of the establishment of the criterion more than 6% soluble non-sugar solids.

"I have been handling the purchases of West Indies fancy molasses for my company for the past twenty-eight years and to get the proper fancy molasses for our business, I visit Barbados and Cuba during February of each year. Last February I consulted with a large number of the producers of fancy molasses in Barbados as to the soluble non-sugar solids and was informed that it would be a matter of only two years before they would be unable to produce fancy molasses containing over 6% soluble non-sugar solids due to the fact that research work in the cane fields has resulted in new varieties of cane containing higher purity and less soluble non-sugar solids. I also discussed this matter with our supplier in Cuba, Compania Azucarera de Guines, and they made the same prediction.

"To permit us to continue to import the same type of fancy molasses that we have been importing for a great many years, we ask that your Committee give consideration to reducing the soluble non-sugar solids content from 6% to 5% with a further proviso that such molasses when imported shall not be further refined or improved in quality.

"For your information, the duty-paid cost of Barbados fancy

16 molasses delivered New York today is 67¢ per gallon, packed in barrels. There have been some suggestions made that imported fancy molasses containing less than 6% but more than 5% soluble non-sugar solids should pay the sugar excise tax, which would amount to 4½¢ per gallon and which would have to be passed along to the consumer. This amount, when added to the already substantial cost of the molasses, would further add to the burdens of the consumer. It should be borne in mind that molasses is not a luxury product but is a product of everyday household use in thousands of homes in the United States.¹⁰

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note

Now, we have not had time to get up a cable from Barbados and Cuba, but I think that we can establish that it is the prediction of everybody down there that their sugarcane will soon be improved to the extent that possibly in two years we will be unable to get the kind that we want. What we do is, we shop around for pure sugarcane.

As we see it, this Act puts a premium on the raising of poor sugarcane.

Now, there is not any difference between molasses of 5 percent and 6 percent -- here are three samples that I have. They are identical. No expert could tell them apart. Some are over 6 percent and some under 6 percent and they look just alike and they taste just alike and there is no possible way of telling them apart.

We say that it is impossible -- it becomes impossible to import that molasses. The Act will have destroyed a very important and well-established business to a great many people; not large, perhaps, but the use to which this molasses is put, outside of household use, is nationwide, in all kinds of food products, most of which need sugar, and the only point in using it is its distinctive flavor.

We say that we do not compete with sugar. I think that is true. Of course, one food product does compete with another. I suppose if you could not get molasses candy, you might buy more chocolate candy. I do not know. But that is, I say, not

sm6 the type of competition against which the Sugar Act affords protection.

I say that we are a distinctive product. We are recognized. We are an established business. And this Act, this amendment, as presently put in there, may put us out of business.

Mr. Myers in his testimony has many suggestions for our relief. He says we can put in Louisiana First Molasses; but if we do that, then we do not have Grandma's, we have lost our distinctive taste.

The situation is slightly different in Cuba and in Barbados. In Barbados there is the 300,000 gallon quota, which I do not think is going to take care of us for four years. A small company like this, two years from now, has no chance of coming back to Congress and getting Congress to amend the Sugar Act.

We say further that as far as the tax or revenue is concerned, this excise tax, that it is absurd to take this one single food product and impose the tax on it.

Barbados is increasing the purity of the sugarcane. Its population has increased and it wants to get more and more production per acre and more from that production, and that is the reason for this situation.

They are engaged in research to improve the product, and pretty soon there will not be, in our belief, enough molasses to meet the needs of our business. No business can survive

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under the constant hazard of lack of source of supply.

Now Cuba, which has a quota, does not help us very much because the quota for liquid sugar of Cuba is confined to about five or six million, that is, all the quota.

Now, we get our molasses from a single mill, but if we ask that mill to get us in some molasses under the quota, they are not interested. They make more money, they say, in refining sugar. They like to look at their molasses business as something on top of the sugar business.

I suppose that if we added enough financial inducement to these mills they might allow us some of their quotas, as has been suggested by Mr. Myers, but that will raise the price of molasses to an unknown extent and, on top of that, we would have to pay the 4-1/2 cent per gallon excise tax which would substantially increase the price of a low-cost food item -- and what it would do to our business, I do not know.

We contend that there is no reason for so penalizing an established business. All we want to do is to go ahead and operate as we have been.

We asked before the House for a large enough quota to -- I mean, a different one -- wait a minute. Our situation is this.

We think that all molasses¹ should come in free from the restrictions of the Sugar Act but, to appease the fears of those who think that would open the door to liquid sugar, we suggested

before the House 6 million wine gallons as a limitation and no further processing; definition as to color and source and a limitation of 6 million gallons.

We now are here with two strikes against us. We have figured out that we can survive on one million gallons; that is, one million gallons of sugar under the definition, one million gallons of it with impurities less than 6 percent but more than 5 percent, that that will take care of our needs for the next four years and we could continue in this business.

Of course, no one is possibly going to refine molasses into sugar. Molasses already costs more than sugar and there is the refining charge on top of that. But that would, I think, take care of it.

Mr. Myers in his testimony gave several other suggestions as to how to take care of it.

He says we can mix it with refiner's syrup, but we cannot without destroying the flavor. He says there is a Barbados Molasses, Barbados First Molasses of which, as a matter of fact, there has not been any for many years. It used to be sold.

He suggested we use the Cuban quota. Well, I think I have already explained why we cannot get the Cuban quota without -- I do not know whether we can get them to allow us to use that quota at all, but certainly if we could there would be a tremendous increase of cost.

Senator Millikin. I would like to ask if British West

Indies molasses is synonymous with Barbados molasses.

Mr. Arnold. West Indies molasses includes anything from the West Indies, as I understand it, historically. Is that correct, Mr. Staples?

Mr. Staples. Yes.

Mr. Arnold. But our Grandma's Molasses is this historical concoction (laughter) composed of Barbados and Cuban molasses.

I have an objection from Mr. Staples to calling it a "historical concoction." Personally, I think that would sell a lot of it.

(Laughter.)

Now, I think where we failed in the committee of the House is in the fact that we did not convince them that we are going to be hurt.

It is perfectly true that we have had no trouble since 1941, except once in 1950, when one cargo was rejected and on a further test repassed and it went through. Remember, as Mr. Myers concedes, this test is subject to 8 percent error.

Mr. Staples. .8.

Mr. Arnold. I beg your pardon, .8 of 1 percent error, and that is a terrific risk, when you consider -- we test it in the Islands and that .8 of 1 percent error is a terrific risk, when you consider that these shipments may amount to as much as 1 million gallons. Is that right?

Mr. Staples. Yes.

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Mr. Arnold. Since 1944 we have been getting all of it by rigorous inspection in the Islands, by competing for the poorest sugarcane and we frankly do not see why we should face the next four years with what, in the opinion of ourselves and the growers in Barbados, is a business which will run short of supplies.

We are not asking that the importation of all liquid sugar between 5 and 6 percent be permitted by the Act. We are only asking that the importation of a very distinct and highly flavored product called molasses be exempt to a limited amount.

Mr. Myers says you cannot tell the difference between molasses and liquid sugar, but I think he misunderstands the problem. It is true that we cannot -- our test includes color, flavor, and use. It also provides no further processing in this country.

Mr. Myers says that you can heat it and change the color of any liquid sugar. That is perfectly correct but if you do that, then you caramelize it and you change its flavor, so you destroy its use test and its flavor test.

Mr. Myers says you cannot determine chemically, as far as the source is concerned, you cannot determine chemically whether liquid sugar is manufactured from cane juice or whether it goes through some other process.

That is true, but there are all sorts of things in the Revenue Acts and Tariff Acts which are not determined chemically. If we perjure ourselves and say that this liquid sugar which is

11 actually not from the source of cane sugar, is from cane juice, then you have, I think, a better test than even chemical tests. There is no point in our doing it. It seems to be a perfectly legitimate and easy test to make.

So, we are appealing to this committee on behalf of a comparatively small business which is, we think, in real jeopardy over the next four years.

You can read the statement of the American Molasses Company and you can find that we are making money and that we have done better last year. We have increased our profits last year. But, we are also sugar refiners and our profits have not come from the molasses end of our business. The molasses end is the historical end.

Hindsight is better than foresight; even the sugar refiners understood our plight well enough to make us concessions, far more than are in the present Act.

We did not agree. We thought that our case was so strong that we could get our molasses in as something different from sugar. We lost in the House.

We are now before this committee saying that we think that our trouble is that we have been misunderstood, that we have been put in the guise of people trying to carve a loophole in the Act.

We say we are not trying to do that. We say it is perfectly possible to let this business go on, consisting of the importation of a little over 1 million gallons from Cuba and 3/4 of a million

ml2 from Barbados, and we hope that this committee will consider our case seriously.

There is so much fine print in these reports that it is difficult for anyone reading them, when he is busy, to get the extent of the problem. But I would earnestly ask the members of this committee to read the statement which we did not make orally but which we filed after Mr. Myers' testimony, by Milton N. Scofield, one of our counsel, which appears at page 305 to 307 of the House hearings. I think that our position is summarized in a page and a half and you can get the idea better than from the more extensive reading of all our testimony.

Thank you.

The Chairman. Thank you. Are there any questions by members of the committee?

Senator Taft. Judge Arnold, there are some figures attached to Mr. Myers' report on the United States supplies of edible molasses and syrups from sugarcane. What is the reason for the declining supply available for domestic consumption of edible molasses and syrups? Why is Barbados molasses down from 1,500 tons in the 1930's to 680 in 1950? What is the explanation of that?

Mr. Arnold. Are those the figures for this year? I have heard that --

Senator Taft. They are attached to Mr. Myers' statement. They cover the years 1935 to 1951, inclusive, and they show

h13 a steadily decreasing amount of edible molasses and syrups, in total and from each separate source.

Mr. Staples. Is this (exhibiting) the chart that you referred to?

Senator Taft. No. It is a table.

Mr. Arnold. Oh, this table. Well, the figures for this year -- well, of course, the Barbados molasses has not started to come in. Mr. Staples informs me that the American Molasses Company alone will import $3/4$ of a million gallons.

Mr. Staples. We have it all ordered.

Mr. Arnold. 37,000 tons.

Senator Taft. But, since 1943, there has not been anything like the amount that was imported on the average before, although in one year since 1943 it did go up to 770,000.

Mr. Staples. There was a spell in the early 1940's, during the war season, when you just could not get in the material; the ships would not bring it in.

Senator Taft. In 1948 there were only 87,000; in 1949 only 155,000.

Mr. Staples. I do not seem to find that table, Senator, but --

Senator Taft. In 1950 it was 680,000 from Barbados.

Mr. Arnold. Those figures represent gallons.

Mr. Staples. I would say that there are a number of factors that enter into that.

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One factor which definitely did affect the business in 1945, 1946 and 1947 -- well, as has been stated, there are a number of products, not sugar, that were used to stretch sugar. They were sugar substitutes and they were not rationed during the war period.

Among them was a product that we ourselves made. We made a wheat syrup from wheat flour which we sold to bakeries, and they used a small amount of that material along with their rationed sugar to make more baked goods. As the result of that usage of material which was not sugar, in place of sugar, I would say that the public became -- well, they had a little too much of it, with the result that our molasses business in 1945, 1946 and 1947, was very, very seriously hurt because people were fed up with that type of material. They had to use it and they did not want to use it.

That was one factor. Then, during the war, that was when there existed the inability to bring it in.

Senator Taft. Well, still -- I do not know whether Mr. Myers has an explanation -- still, it is a very curious table.

The United States supplies of edible molasses and syrups from sugarcane available for domestic consumption was around 33 million in the 30's and it went all the way up to 49 million in 1944 and to 58,500,000 in 1946; and then it dropped down to 20 million in 1950, the total over-all supply.

Mr. Staples. Yes, sir. I could not answer that, as to why.

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Mr. Arnold. Mr. Chairman, may we consult with the technicians of our company and file a brief explanation of that?

The Chairman. We would be very glad to have you do so, Judge.

Mr. Arnold. I am afraid we cannot answer it adequately at this time, Senator.

The Chairman. If you can do so as promptly as you could --

Mr. Arnold. I will get it tomorrow.

The Chairman. Are there any further questions?

The House did a little something for you. They did fix you 300,000 gallons.

Mr. Arnold. It does not take care of our Cuban --

The Chairman. No. In point of tonnage, what does that amount to?

Mr. Staples. That 300,000?

The Chairman. Yes.

Mr. Staples. It runs roughly about 9 pounds of sugar, 8 to 9 pounds of sugar in a gallon, less than 10; but 10 times 300,000 would be 3 million pounds or 1,500 tons, it would be under 1,500 tons because it does not run as high as 10 pounds of sugar per gallon.

Mr. Arnold. I think the House misunderstood our Cuban problem. Our Cuban problem is to get the quotas utilized in our favor.

The present 1 mill which we do business with does not want

6 to use its quota for that, and there is a general disinclination to go into this limited market, in Cuba generally.

Senator Taft. Well, do the Cubans use this quota of liquid sugar in the molasses?

Mr. Staples. They put in liquid sugar.

Senator Taft. And what they want is sugar, they do not want the molasses.

Mr. Staples. That is right.

Senator Taft. And the molasses is getting more pure.

Mr. Staples. That is right and that condition is still going on, it is rising more and more and the average that comes into the Port of New York is 97.3 or 97.4 percent. It was not too many years ago where it ran 96.3 or 96.4 percent. In other words, the purity of the raw sugar has gone up also and of course the purity of the material from which the sugar was made has gone up.

Senator Millikin. Is the flavor of Cuban sugar the same as Barbados?

Mr. Arnold. All sugar tastes alike.

Senator Millikin. I mean molasses?

Mr. Arnold. No, there is a different flavor, and the combination is what gets this market.

Senator Taft. Like grandma likes.

Mr. Arnold. Yes, like grandma likes.

Mr. Staples. Not "concoction."

1517
Mr. Arnold. Strike the word "concoction."

Senator Millikin. Is the Barbados the chief ingredient?

Mr. Arnold. Is it what?

Mr. Staples. You are talking about the flavoring?

Senator Millikin. Yes.

Mr. Staples. I cannot say the amount we use; that is a trade secret, but it is the one.

Senator Millikin. Is this increase from the House a significant contribution to the problem?

Mr. Staples. Well, it is 300,000 gallons that can come in not as molasses, sir, but it can come in as liquid sugar if it is below 6 percent.

Senator Millikin. Yes.

Mr. Staples. And we naturally want to bring in molasses.

Mr. Arnold. But it is better than nothing; but it will not help us very much in our position, and what we need.

I do not think there is any denial in the record that this fear that we have is real. The very fact that so many alternatives have been suggested to us by Mr. Myers who, with all due respect, does not understand the molasses business, shows there is a real danger.

Mr. Staples. Last February, the president of our company went to Barbados to buy our year's importation of Barbados Molasses and he spent some weeks down there and it was not until May of this year that he received confirmation from the Barbados

people that they could supply molasses over 6 percent to meet our requirement. There is a great doubt in many people's minds that they can produce molasses as high as 6 percent total soluble solids.

The Chairman. Thank you very much; and supply that information we requested, if you can.

Mr. Arnold. We will get it in at least the day after tomorrow.

The Chairman. Is there any other witness who desires to be heard at this time?

STATEMENT OF GORDON PICKETT PEYTON,
ATTORNEY, WASHINGTON, D. C.

Mr. Peyton. Mr. Chairman, I would.

My name is Gordon Pickett Peyton. I would like the privilege of addressing you briefly.

I am spokesman for the industrial sugar users.

In view of Mr. Myers' testimony I would like the privilege of filing with the committee, certainly by Monday, a statement of our position which I think will clarify some of the statements Mr. Myers made.

The Chairman. You may do so, but we will have difficulty in taking up this matter after Monday, anyway.

Senator Millikin. Mr. Chairman, I suggest that he give us the gist of it now.

The Chairman. Could you tell us right now what you want to emphasize?

Mr. Peyton. Yes. First, the industrial sugar users group that I spoke for before the House represents something more than 90 percent --

The Chairman. Your testimony is in the House hearings?

Mr. Peyton. Yes, sir. It represents more than 90 percent of all industrial sugar use in the United States.

Senator Taft. Bakers, primarily?

Mr. Peyton. Well, there are 30,000 bakers that are represented by the American Bakers Association. Then, there are

the bottlers of carbonated beverages, the retail confectioners, the chocolate manufacturers -- there were 15 of these associations altogether that we spoke for.

We ask that the Act be extended after 1952 for two years instead of four on the basis that we thought it proper for further Congressional review to be made at the end of that 3-year period.

Two, we ask that the two years prior to October 31 -- the year ended October 31 be used -- the average of those two years' distribution be used as the minimum below which the consumption estimate for the next year could not be set.

Of course, in those years, if we follow our present population trend, necessarily we would use more sugar because of the increased population.

Before the Sugar Act of 1948 there was a per capita limitation in the Act for the protection of consumers; that was taken out in the Sugar Act of 1948.

We want a floor now put in which would not be as high a floor as a per capita floor as reflected in the prior Act but would be a protection for consumers to insure adequate supplies.

Now, as Mr. Myers indicated and as we indicated before the House, we have no particular objection to the way the Sugar Act has been administered in the last four years but necessarily we feel that the wide discretion that is left to the Secretary of Agriculture in fitting these consumption estimates be limited

by legislative criterion and that criterion was the one that we suggested in the House; that is, this floor and those two proposals are from this group of industrial users and they took the position that they would not oppose the bill in the event those two proposals were adopted.

The House reports may have given an indication that there was more unanimous approval of the bill as presented than actually existed. I do not mean that that was in any way intentional on their part but we did take the position that we did not oppose the bill in the event these proposals could be incorporated in it.

Now, the Sugar Act has never been extended for as long a period as four years except in the instance of the 1948 Act -- is that correct, Mr. Myers?

Mr. Myers. I do not remember how long the 1947 Act was.

Mr. Peyton. That was three years, I think, and this in effect represents three years because the Act does not expire until December 31, 1952.

Senator Millikin. So it will be four years -- three years now.

Mr. Peyton. Four years. But the Act does not expire until December 31, 1952, so in effect this would amount to notification of more than a 4-year extension.

Senator Millikin. That is right, and symmetry of crop rotation requires some time.

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Mr. Peyton. I think that is right, sir, and it is our thinking that three and a half years would be adequate for that purpose.

The Chairman. Well, your full statement is in the House report?

Mr. Peyton. That is right, sir.

The Chairman. Well, we have before us the House report. If there are no questions, we thank you.

Mr. Peyton. Thank you very much.

The Chairman. Is there any other witness who wishes to be heard on this matter at this time?

(No response.)

The Chairman. If not, the committee will go into executive session.

(Whereupon, at 11:30 o'clock a.m., the committee retired into executive session.)