

SUGAR

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 5463

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

MARCH 27, 1961

Printed for the use of the Committee on Finance



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SUGAR

MONDAY, MARCH 27, 1961

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

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

Present: Senators Byrd, Anderson, Douglas, Talmadge, Hartke, Fulbright, Williams, Bennett, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The subject matter before the committee is H.R. 5463.

(The bill and brief analysis thereof follow:)

[H.R. 5463, 87th Cong., 1st sess.]

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective March 31, 1961, section 412 of the Sugar Act of 1948 (relating to termination of the powers of the Secretary under the Act) is amended to read: "The powers vested in the Secretary under this Act shall terminate on December 31, 1962, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1962 and previous crop years".

Sec. 2. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "September 30, 1961" in each place it appears therein and inserting in lieu thereof "June 30, 1963".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "September 30, 1961" where it first appears therein and inserting in lieu thereof "June 30, 1963", and by striking out "September 30, 1961" where it appears therein the second time and inserting in lieu thereof "September 30, 1963".

Sec. 3. Effective March 31, 1961, section 408 of the Sugar Act of 1948, as amended (relating to suspension of quotas), is amended by striking out of subsection (b) "for the period ending March 31, 1961" and inserting "for the period ending December 31, 1962"; and by striking out of paragraph (b) (1) "for the balance of calendar year 1960 and for the three-month period ending March 31, 1961" and inserting "for the period ending December 31, 1962"; and by inserting immediately before the colon in subparagraph (2) (iii) of subsection (b) a semicolon and the words "except that any amount which would be purchased from any country with which the United States is not in diplomatic relations need not be purchased" and by inserting in the "provided" clause a comma after the phrase "additional amounts of sugar" and inserting immediately thereafter the phrase "including any amounts which would otherwise be purchased from any such country with which the United States is not in diplomatic relation,"; and by striking out the semicolon at the end of subparagraph (b) (2) (iii) and inserting "except that consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities";

Passed the House of Representatives March 21, 1961.

Attest:

RALPH R. ROBERTS,
Clerk.

BRIEF SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 5463

H.R. 5463 will amend those provisions of the Sugar Act respecting foreign purchases which were established by Public Law 86-592, as follows:

Presidential authority to establish the sugar quota for Cuba through December 31, 1962, at such level as the President shall find from time to time to be in the national interest, but in no event in excess of the Cuban quota under the basic quota system of the Sugar Act. If the President sets the Cuban quota at less than its basic quota, the amount of the reductions are to be distributed as follows:

(1) An amount equivalent to Cuba's share in any domestic area production deficit may be assigned exclusively to other domestic areas; and then

(2) To five nations whose quotas have been between 3,000 and 10,000 tons, a sufficient quantity of sugar to bring each up to 10,000 tons. These nations are Costa Rica, Haiti, Panama, the Netherlands, and Nationalist China; and then

(3) To the Republic of the Philippines 15 percent of the remainder; and then

(4) To other countries having quotas under the act (except those five nations mentioned in (2) above) the remaining 85 percent in amounts prorated according to the basic quotas established by the act, "except that any amounts which would be purchased from any country with which the United States is not in diplomatic relations need not be purchased"; and then

(5) If additional amounts of sugar are needed, purchases may be made from any other foreign nation without regard to allocations, but with consideration given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

The bill continues the President's present authority to obtain refined sugar if raw sugar is not reasonably available.

The CHAIRMAN. The committee is very much honored to have Senator Ellender, chairman of the Agriculture Committee of the Senate.

Senator Ellender, will you proceed, sir.

**STATEMENT OF HON. ALLEN J. ELLENDER, A U.S. SENATOR FROM
THE STATE OF LOUISIANA**

Senator ELLENDER. Thank you very much, Senator Byrd and members of the committee.

I am very glad of this opportunity to say a few words to you in respect to the measure that is now before you.

In order to save the time of this committee, I am appearing here today on behalf of those who represent all segments of the U.S. sugar-producing and refining industry. This industry, incidentally, includes many of my own constituents in Louisiana who are engaged in the production of sugar. It also includes the sugarcane producers of Florida, Hawaii, and Puerto Rico; the sugar beet industry in 22 States, stretching from the Great Lakes to the west coast; and, as well, the cane sugar industry with operations in 14 States, including Louisiana.

I appear before you to say that these groups endorse without qualification the bill before you—H.R. 5463—and urge this committee to report it, unchanged, today, so the Senate may enact it without delay.

The groups for whom I speak, Mr. Chairman, are listed in a letter of February 9, 1961, addressed to the chairman of the House Agriculture Committee, which I ask permission to insert in the record at the end of my testimony.

The CHAIRMAN. Without objection the insertion will be made.

Senator ELLENDER. On my own behalf, as well as for our domestic sugar industry, I want to say that we have no argument with what

seems to be the basic objective of those who asked for this hearing—that is, to enable farmers who are not now producing sugar in the United States to do so. The question is how much sugar and where? The answer is not simple.

We all know that time is of the essence and we must act between now and midnight of March 31, when the present Sugar Act expires, to develop the kind of legislation which appropriately and sensibly recognizes these demands for growth. As a practical matter, the recognition of these aspirations requires an adjustment of many other features of the act.

The bill under consideration, H.R. 5463, would extend the basic provisions of the Sugar Act for another 21 months, until the end of 1962. However, I firmly believe the act will be amended further this year. We have the assurance, as contained in the report of the House Agriculture Committee on this bill, that hearings will begin come May of this year on a long-range sugar bill.

I wish to interpolate at this point, Mr. Chairman, that I shall do all I can to get the committee of the House to act promptly. As all of us know, there have been slight delays in the past which has caused many of us quite a lot of worry. It is my hope that I, together with others, can induce the House committee to proceed without much delay.

The groups for whom I speak have pledged to cooperate with the committees of the Congress, to the end that as soon as H.R. 5463 is passed, a long-range Sugar Act will be developed, which will recognize, as far as practical, the justifiable desires and abilities of people in new areas who want to produce sugar beets and sugarcane. And I shall personally work for the enactment of such legislation during this session of Congress, as I have just indicated.

It has been argued that a shorter extension of the present law will provide more incentive to enact long-range legislation this year. I maintain that the urgent necessity for putting the Sugar Act back again on a long-range basis, and the obvious need for making some provision for new growers and new areas to enter, are pressures compelling enough to prompt such legislation this year. The 21-month provision of the present bill is a desirable and necessary "margin of safety."

We should remember that most of the sugar produced this year will not be marketed until next year. Our growers and refiners need the assurance that there will be a sugar law next year, which a 21-month extension now will give, in order to obtain the necessary financing to produce and market this year's crop.

Time is running out on the present Sugar Act. Today is the 27th day of March. The Senate and House schedules call for a brief recess of a few days, beginning at the close of business on Thursday, March 30, so we can fittingly and respectfully observe one of the most sacred and solemn commemorations of the religious calendar. That means that we have to complete work on this bill before midnight on March 30, so the President will be able to sign it before midnight on the 31st. From here on out we have to keep our eye on the clock as well as on the calendar. Otherwise, the sugar program, which has served our Nation so well for more than a quarter century, will die.

Now let me tell you what would happen if the Congress should allow that to occur.

The stability which has characterized both sugar supplies and prices under the operations of the act would be replaced immediately by chaotic conditions in the sugar market. If this act should pass out of existence, the farmers would have no assurance that conditional payments already earned on the 1960 crop would be paid.

The importance of the sugar program to our domestic sugar industry and to our national welfare is, I know, well recognized by this distinguished committee. On the 26th day of January 1956, this committee—then, as now, under the leadership of the distinguished Senator from Virginia, Mr. Byrd—said, on page 6 of the report issued in connection with a renewal of the Sugar Act then under consideration:

For many years it has been the policy of the U.S. Government for defense and strategic reasons to preserve within the United States the ability to produce a portion of our sugar requirements. This has been done because sugar is an essential and vital food product needed by American consumers, the supply of which on a worldwide basis has been marked by periods of alternating scarcity and surplus.

A large portion of the world's sugar production is grown in tropical countries with essentially one-crop economies, where cheap labor is abundantly available. An additional large portion is distributed among the majority of the countries of the world which, like the United States, provide protection to their sugar industries. In these circumstances, it is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete on the open world market with sugar produced with cheap tropical labor.

But there is still a further and grave situation which would happen if the Sugar Act should be allowed to expire—even for a day, even over the Easter weekend. The authority by which the President of the United States keeps Communist sugar from Castro's Cuba out of our country is in the Sugar Act. If the Sugar Act expires, even for a little while, there is nothing to prevent any foreign sugar, including Cuban sugar, from coming into this country immediately.

Castro would be able to divert shipments already at sea, now headed to Communist China or Red Russia, and get them to our ports perhaps in a few hours. Sugar ships now loading in Cuba would be able to reach our ports this week. I am sure that the minions of the Kremlin now ruling Havana are watching with intense interest to see what this committee does here today.

Mr. Chairman, I will take only a moment more—to recapitulate. Representatives of established sugar producing and refining industries of this Nation have asked me to urge you to approve today, and send to the Senate floor by tomorrow if possible, the bill before you—H.R. 5463—without change. A single amendment might necessitate a conference between the House and Senate and passage again by both Houses—and there simply is not time for that before the expiration hour of this act. The many complications involved in developing long-range sugar legislation, including full consideration of the aspirations of new growers, will be explored fully later in this session, and I firmly believe a long-range bill will be passed later this session. But the welfare of our Nation makes it imperative that this temporary bill—H.R. 5463—be passed in the few remaining hours before midnight of March 31.

That concludes my statement, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Ellender.
(The letter previously referred to follows:)

WASHINGTON, D.C., February 9, 1961.

Hon. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CONGRESSMAN: This is a confirmation of our telephone conversation of last week.

All segments of the domestic sugar industry will heartily support your efforts promptly to obtain an extension of the Sugar Act for a period up to 21 months.

The industry believes, however, that a short term extension of the Sugar Act should not delay an effort also to obtain long-range legislation at this session of Congress. It is our understanding that you concur in this view.

In the past, the industry has not felt qualified to pass upon any emergency Presidential power affecting the Dominican Republic which may be required in any extension of the act; nor does it now.

As you know the act expires on March 31 of this year. All who know the requirements of consumers of this country, whether by way of household packages or industrial products, know that the national sugar policy embodied in the Sugar Act should be extended by law well before this March 31 deadline.

We deeply appreciate the consideration which you and your colleagues on the committee have given to the problems of our industry.

Very sincerely yours,

For the Puerto Rican Sugar Producing Industry: Dudley Smith, Vice President, Association of Sugar Producers of Puerto Rico. For the Hawaiian Sugar Producing Industry: Sanford L. Platt, Vice President, Hawaiian Sugar Planters' Association. For the Louisiana and Florida Sugar Producing Industry: Josiah Ferris, Washington Representative. For the U.S. Cane Sugar Refining Industry: Irvin A. Hoff, Executive Director, U.S. Cane Sugar Refiners' Association. For the Domestic Beet Sugar Producing Industry: Loren S. Armbruster, Secretary, Farmers & Manufacturers Beet Sugar Association, Saginaw, Mich.; Richard W. Blake, Executive Secretary, National Beet Growers Federation, Greeley, Colo.; Gordon Lyons, Executive Manager, California Beet Growers Association, Ltd., Stockton, Calif.; E. W. Rising, Executive Vice President, Western Sugar Beet Growers Association, Washington, D.C.; Merrill E. Shoup, President, Holly Sugar Corp., Colorado Springs, Colo.; A. E. Benning, Executive Vice President and General Manager, The Amalgamated Sugar Co., Ogden, Utah; Frank A. Kemp, President, The Great Western Sugar Co., Denver, Colo.; Robert H. Shields, President and General Counsel, U.S. Beet Sugar Association, Washington, D.C.

The CHAIRMAN. We are honored to have Senator Milton Young with us. Will you proceed?

STATEMENT OF HON. MILTON R. YOUNG, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator Young. Thank you, Mr. Chairman, and members of the committee.

I appreciate appearing before this committee, and especially taking me out of order.

Mr. Chairman, in order to conserve time, I will ask that a telegram from the Red River Valley Beet Producers Association be placed in the record, as well as letters from Mr. E. N. Dornacker, president of the North Dakota Tri-County Sugar Beet Association and Mr. C. J. Campbell, secretary of the Minnesota-Dakota Sugar Beet Development Association.

(The telegram and letters referred to follow:)

GRAND FORKS, N. DAK., *March 23, 1961.*

Senator MILTON YOUNG,
New Senate Office Building,
Washington, D.C.:

Red River Valley Beet Growers Association of North Dakota and Minnesota want 21-month extension of Sugar Act passed as soon as possible. We are opposed to idea that any State or area be given special consideration of any kind. However, if any should be given, we think we are entitled to consideration as we have requests for 180,000 to 190,000 acres from farmers who have land proved to be adopted to growing of sugar beets. Please present this to Finance Committee for their consideration.

R. T. ADAMS,
H. M. TROWBRIDGE.

NORTH DAKOTA TRI-COUNTY SUGAR BEET ASSOCIATION,
Mayville, N. Dak., March 23, 1961.

SENATE FINANCE COMMITTEE,
Washington, D.C.

GENTLEMEN: In regard to the extension of the Sugar Act it is the feeling of our members that if there is to be any special allotments given to any group or area, under the short term Sugar Act, we request that equal consideration be given our North Dakota farmers.

The Tri-County Sugar Beet Association is composed of 529 farmers, who would like to grow 58,305 acres of sugar beets. Our farms are located in the heart of the Red River of the north on the North Dakota side. Our farmer members are farming about 400,000 acres of land. If we could get beet acres we would divert 58,000 acres to summer-fallow and 58,000 acres to sugar beets each year.

In the case of barley of which North Dakota ranks first in bushels produced, this would reduce our acreage of barley by 116,000 acres. The valley farmer in our area averages 35 to 50 bushels per acre in yield.

As you can see, should our members become beet growers, in our case it would reduce the production of barley by over 4 million bushels each year.

Sincerely yours,

E. N. DORNACKER, *President.*

MINNESOTA-DAKOTA SUGAR BEET DEVELOPMENT ASSOCIATION,
March 24, 1961.

SENATE FINANCE COMMITTEE,
Care E. W. Rising,
Washington, D.C.

GENTLEMEN: I am secretary of the Minnesota-Dakota Sugar Beet Development Association, which represents eight sugar beet development groups, located in the Red River Valley of Minnesota and North Dakota. These eight groups have a current dues paying membership of 1,501 and have requested 130,819 acres of sugar beets.

Speaking for and on behalf of the membership of the Minnesota-Dakota Sugar Beet Development Association, I request that if any new area is to receive special consideration regarding the growing of sugar beets under the present extension of the Sugar Act, that this area represented by the Minnesota-Dakota Sugar Beet Development Association be given equal consideration.

Yours very truly,

C. J. CAMPBELL, *Secretary.*

Senator YOUNG. Mr. Chairman and members of the committee, in this telegram our producers are asking for an additional acreage from 180,000 to 190,000 acres.

If the committee sees fit to make additional acreage available, I respectfully request that the Red River Valley of North Dakota and Minnesota receive its proportionate share of any such increase.

At the present time, over 98 percent of those farmers not having sugar beet allotments have organized sugar beet development associations to promote the production of sugar beets in their respective areas.

The Red River Valley of North Dakota and Minnesota is ideally suited for sugar beet production. It has large farms of fertile, level land, facilitating large-scale mechanized production.

It has adequate natural rainfall to provide the necessary moisture for sugar beets.

The major crops of Red River Valley, other than sugar beets, are primarily crops which are in surplus.

This is an area which, I daresay in the past 5 years, has produced an average wheat crop of 30 bushels to the acre. It is also the principal barley-producing area of the United States, and another crop which is in surplus.

I would like to point this out: In producing sugar beets in this area, land must be summer fallowed, prepared a year before, so when you have a hundred acres of sugar beets, you are actually taking 200 acres out of production of another crop.

Sugar beet production in this area, is therefore, most desirable.

At the present time Red River Valley has approximately 1,200 growers of sugar beets, producing 103,500 acres. From the standpoint of availability of suitable land this acreage could be tripled in the next 10 years, and farmers could increase their sugar beet acreage as rapidly as processing facilities are made available.

Mr. Chairman, there is very little time left for reenactment of the Sugar Act before the expiration date.

I would be glad to support a committee recommendation for a simple 21-month extension.

I hope, however, that the time will not be far off when greater sugar allocations can be given to our domestic producers.

I think the Red River Valley Beet Producers Association of North Dakota, and other similar organizations in this area, as well as other areas, have made a good case for increased production.

Senator ANDERSON. Could I make a comment on what Senator Young said?

Senator YOUNG. Yes.

Senator ANDERSON. Senator, you are suggesting, are you not, that the Red River area in your State has 103,000 acres now?

Senator YOUNG. Yes, 103,500 acres.

Senator ANDERSON. And you think that could be tripled?

Senator YOUNG. Yes, many times more than that.

Senator ANDERSON. Do you believe, then, we should freeze it for 21 months to put it through two new seasons so that they could not possibly increase it while it is being increased in Mexico and in Peru, the Dominican Republic? Don't you believe that farmers in North Dakota and Minnesota have some rights, too?

Senator YOUNG. Yes, Senator, I would like to see our domestic producers given a better allocation.

Senator ANDERSON. Good.

Senator YOUNG. If that is not possible, then I would support the 21-month extension. But I think we should start working in this direction.

Senator ANDERSON. I know how carefully and militantly and constantly you have supported the farmers of your State.

Senator YOUNG. Thank you.

Senator ANDERSON. Particularly on Durum Wheat, where I did not always agree with you, but you have done a fine job, Senator Young, and I would be the very first one to admit it.

Now, the situation of the very able Senator from Louisiana is a little different. The cane producers are not using all their acreage right now or were not the last time I noticed, so 21 months to them does not mean a thing. But it means quite a little to you and to your farmers.

Senator BENNETT. May I ask a question: Do you think between now and Thursday night, considering the rules of the Senate, we can rewrite the Sugar Act and get a bill through the House and take all these very complex problems and solve them? Don't you think we need—is not the real purpose of the extension, regardless of the number of months involved, to give us time to handle this complex problem?

Senator YOUNG. I am not nearly as familiar with the handling of the program as you and other members of this committee are. But I wanted to point out that I do believe that we should work as fast as we can toward giving domestic producers greater allocation, and if it is not possible to do that now, I hope the time would not be far off. I would therefore support an extension of the present act.

Senator ANDERSON. I would just like to remind Senator Young, when we had this matter up in July of 1960, the House committee put in a conference report this language:

As part of the understanding by the conferees, it was agreed that the conference on the part of the House would undertake to pass a sugar bill and transmit such to the Senate on the earliest possible date after the reconvening of the House in August.

That was August of 1960.

We would not have had a conference report. It was close in the Senate, and we had to wrestle with it until early in the morning. There were only three Senators from the Finance Committee present, Senator Long of Louisiana, Senator Bennett, and myself, and the only way we reached agreement was as the result of an absolute ironclad promise that something would be done by August of 1960.

Does the Senator recall anything being done? We get this same thing, I will say to the Senator, every time, 24 hours, 36 hours, at the most, "You have got to do it now. It is too late now to fool with it."

This is exactly what is being said here.

"Do you think you can write a whole new bill in 24 hours?" Every time it is the same story, because the House refuses to upset the situation.

The only way the Senate will ever get any good done for its people is to fool the House on it one time.

Senator CURTIS. Senator Young, you, with your longtime experience on the Committee on Agriculture, are you of the opinion that a substantial increase in domestic sugar production would be a good thing?

Senator YOUNG. Yes. I can think of nothing that would help agriculture more in this country, and it would go a long way toward solving the surplus problem.

As I pointed out in my State in order to grow 1 acre of sugar beets, you summer fallow the land a year before, so the land is idle for a whole year. This means it takes 2 acres for 1 to produce sugar beets.

Senator CURTIS. And you would also agree that to do that would be in the best interests of the total economy of the United States, considering our overall agricultural problems?

Senator YOUNG. Yes. I am alarmed at, sometimes at, the uncertainty of our supply of sugar from foreign countries.

Supposing we had trouble with Latin American and South American countries like we had trouble with Cuba, our supply of sugar would be in a precarious situation.

Senator CURTIS. Well, entirely independent of that from the dollars and cents standpoint, when we consider the low cost of the sugar to the consumer over a period of years, as compared with other prices, and when we consider the burden on the Treasury for our overall agricultural program, to have a just and fair increase of domestic production of sugar would be in the interest of the general economy, do you not believe?

Senator YOUNG. Certainly. I think one of the big problems contributing to our surplus trouble is our imports of agricultural commodities which we can easily produce in this country.

I realize that you have to import in order to export, but I do not think we should be importing commodities which for various reasons, it is better to produce in this country. I certainly think we should be producing a higher percentage of our sugar needs in this country now than we are.

Senator CURTIS. We are importing roughly 45 percent of our sugar consumption, and that is exclusive of what we get from our offshore possessions and territories; is that not true?

Senator YOUNG. Yes; that is right; and sugar is made available to the consumers of the United States at a reasonable price.

Senator CURTIS. Now, my next question does not call for an involvement in what is the best procedure, and conflict with the House, or anything of that sort. I do not want to minimize those problems, but I am not trying to discuss them at this time.

Do you feel that a long-range program of orderly and gradual increase of our domestic production should be undertaken as soon as possible before additional foreign producers feel they have a vested interest in our consumptive market here? Do you believe that?

Senator YOUNG. Yes; I do, and this is the danger: If you give a greater allocation to foreign countries, which you cannot maintain in the future, we are causing ourselves some trouble, and probably some enemies.

Senator CURTIS. Yes. If they are given something temporarily, if that temporary period is extended too long, and then it is changed at a later time, it may be regarded as an unfriendly act.

Senator YOUNG. Yes; that is right.

Senator CURTIS. Yes. I think also that the first step—I see the distinguished chairman of the Foreign Relations Committee here; I do not want to solve all his problems—but I think one of the first things

necessary in dealing among nations is that you win the respect of other people, and certainly if there was any other nation in the world that had the agricultural problems that we have involving all of the billions of dollars, the billions it does annually, and that other nation happened to be importing 45 percent of a product that they could produce more of, I am afraid that we would question them a little bit, and we would not quite respect them as much as if they solved their problems a little better.

Senator YOUNG. Well, I have followed this situation quite closely for years, and I do not know of a single foreign country when they find themselves with surplus farm products that do not impose some kind of restrictions on imports, particularly from the United States, and that includes our good neighbor to the North, Canada, as good a neighbor as we have.

Senator CURTIS. Mr. Chairman, I do not wish to take further time, but I ask unanimous consent at the close of Senator Young's statement that I may insert a statement in the record.

(The statement referred to will be found at the end of Senator Young's statement.)

Senator YOUNG. Thank you, Mr. Chairman.

Senator FULBRIGHT. Mr. Chairman, may I ask him a question?

The CHAIRMAN. Senator Fulbright.

Senator FULBRIGHT. The Senator from Nebraska raised the question. As the Senator from North Dakota knows, I am very new on this committee, and I know very little about this subject.

Senator YOUNG. You are far better than a green hand. If I may use the expression?

Senator FULBRIGHT. And he was asking about its effect on our overall economy, and whether this would be a good thing.

Can you tell us how much have the sugar producers received in direct subsidy since the Sugar Act has been in effect?

Senator YOUNG. Are you asking me that question?

Senator FULBRIGHT. Well, yes. You are an expert on this subject, are you not?

Senator YOUNG. I do not have the figures on hand. I suppose it has run into a sizable amount, but there would be no need for any subsidy whatever if American producers were given the same import protection that the producers of other countries are given for their farm commodities.

This is a crop which needs no subsidy whatever if we would just regulate the imports a bit.

Senator FULBRIGHT. You mean you could change the subsidy to a high tariff? If you would put a high enough tariff on it it would enable you to sell it without a subsidy; is that what you mean?

Senator YOUNG. This is what other countries are doing. When the price of flax or rye in Canada is up, and the price is down in the United States, we can start shipping up there. After a while they impose an embargo on our grains.

Senator FULBRIGHT. Senator, I do not know enough about it to argue with you. I am trying to learn about our own situation here.

Is it a fact that we have paid a large amount of direct subsidy to the producers of beet sugar in this country?

Senator YOUNG. Well, almost every segment of our agriculture is now being subsidized in one form or another. This is so because we permit these imports.

Senator FULBRIGHT. Senator, I am only asking you about sugar. I am familiar with cotton. I know about that. I do not know about sugar because we do not grow any in my State, but do the sugar producers receive a direct subsidy?

Senator YOUNG. That is correct.

Senator FULBRIGHT. Do you know about how much?

Senator YOUNG. No; I do not have the figures.

Senator FULBRIGHT. Is it in the neighborhood of \$1 billion, \$1.5 billion in the last 15, 20 years?

Senator YOUNG. I have not gone into it. I am not a member of this committee that deals with the financial—

Senator FULBRIGHT. Does it run about \$60 million, \$75 million a year?

Senator YOUNG. That is about right.

Senator FULBRIGHT. How does it improve our overall economy, as the Senator from Nebraska says, if this is the kind of crop we have to subsidize to the tune of \$60 million or \$70 million a year?

Senator YOUNG. If we did not have this production here in the United States, and you ran into a world shortage, we would be paying through the nose to the tune of a much higher price, but because we have at least some production in this country, it tends to make us a little bit more independent of foreign imports.

Senator FULBRIGHT. That is not true in coffee, is it? We do not produce any coffee. Do you think on the same basis we ought to start coffee production in this country?

Senator YOUNG. It is not feasible.

Senator FULBRIGHT. Why isn't it? If you pay them enough it would be.

Senator YOUNG. No, I do not think you could, no matter what price you had.

Senator FULBRIGHT. You could grow bananas, could you not?

Senator YOUNG. No.

Senator FULBRIGHT. I do not understand the argument that this is good for the overall economy. There may be other reasons for it. If this is not an economic crop that can be produced competitively, then why is it good for the overall economy to subsidize it?

Senator YOUNG. Going back to your argument there—

Senator FULBRIGHT. I am not arguing; I am trying to find out what are the facts.

Senator YOUNG. If we only wanted cheap commodities, they can produce cotton cheaper in Mexico and in many countries in the world than we can in the United States.

We could import all of our cotton supply. We could get all of our sugar supply from other countries; we could get all of our wheat supply from other countries which have greatly expanded their production many of them with our help.

We have to maintain some semblance of a stable agriculture in this Nation. Sugar is one of the best crops to produce.

Senator FULBRIGHT. Why does not sugar have the same protection that cotton and rice and tobacco have? Why does it have a special

act and come under that act and not under the act governing the same programs as other crops?

Senator YOUNG. Because sugar and wool are import crops. We import a sizable amount of our needs and, at times, they can be produced cheaper in foreign countries. I suppose both sugar and wool could be produced cheaper in other countries, and we could get all the supplies we wanted. We could just wipe out this industry entirely if we only wanted cheaper production.

Senator FULBRIGHT. You have that great a variation in prices of sugar even under this act. Didn't it go up very high during the middle forties to about 150 percent of parity?

Senator YOUNG. Whenever we have to depend on a foreign market, then the price goes up. During wartime in the past we paid a pretty high price for our sugar requirements.

Senator FULBRIGHT. We do in everything. But I mean the Sugar Act does not stabilize the price. They go up and down anyway, don't they?

Senator YOUNG. No. Sugar, the price of sugar, has been maintained at a very stable level for years.

Senator ANDERSON. Wou'd you permit me just a minute?

He speaks of the high prices in the 1940's. That is when we were not under the Sugar Act.

Senator FULBRIGHT. There was no Sugar Act?

Senator ANDERSON. There was no Sugar Act in operation. It was written in 1948.

Senator FULBRIGHT. It was rewritten, but I though there was an act—

Senator ANDERSON. Not in operation.

Senator FULBRIGHT. Not suspended?

Senator ANDERSON. Don't give up on the coffee, either, because we have some coffee in the Hawaiian Islands, and they are part of the United States.

Senator FULBRIGHT. If there is such a good thing here, do you think we might grow it in Arkansas if we go high enough?

Senator YOUNG. Pardon me?

Senator FULBRIGHT. Do you think we could grow sugar in Arkansas if the subsidy was high enough?

Senator YOUNG. I suppose we could, if it was high enough. But we would not want to produce it if it was in areas uneconomical.

Senator FULBRIGHT. What is your concept of being economical?

Senator YOUNG. If we produce at a reasonable price, and I think we are producing sugar at a reasonable price in the present areas of the United States where it is being produced.

Senator FULBRIGHT. You believe that?

Senator YOUNG. Yes.

Senator FULBRIGHT. What is the price of sugar now in North Dakota?

Senator YOUNG. There has been some variation, but for 10 years—I do not have the figures.

Senator FULBRIGHT. Will this add to employment, do you think, if you increase the production?

Senator YOUNG. It would greatly increase it, and not only because it requires a considerable amount of labor and expensive machinery—

a beet topper and loader costs about \$15,000, and they only last 2 or 3 years.

Senator FULBRIGHT. That is all.

The CHAIRMAN. Any further questions?

Senator YOUNG. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Young.

The statement by Senator Carl T. Curtis will be inserted in the record at this point, as previously agreed.

(The statement referred to follows:)

STATEMENT OF SENATOR CARL T. CURTIS ON EXTENSION OF THE SUGAR ACT

For several years we have temporized by extending the Sugar Act for short periods of time to meet expiration deadlines. In so doing, we have failed to go to the root of many problems facing the domestic sugar industry.

We are in a period of time in which offshore production is no longer paramount in furnishing sugar needed for domestic consumption. At the same time we must take note of the fact that the domestic capacity can and should be increased to meet our evergrowing consumption of sugar. We know well that increase in sugar consumption is in direct proportion to increase in population.

A year ago I made a survey in Nebraska and determined that many farmers who now produce sugar beets would like to increase their acreage. Also, many counties which have either surface or pump irrigation can well raise sugar beets and should be afforded acreage allotments. Some of these counties have, through appropriate channels, petitioned for an allotment of sugar beet acreage.

It does not seem prudent to me that we should deny domestic producers opportunity to share in this ever-expanding market. We must increase production and refining capacity gradually so that farmers can benefit from this orderly development. It is my understanding that refining capacity in the beet area can now process between 10 and 15 percent more beets than were processed last year. It is my hope that, in Nebraska, we can increase sugar beet acreage by 50 percent over the next 5 or 6 years and increase refining capacity in like manner. Again, there is no supportable reason for relying on offshore production for 50 percent of our domestic requirements. The total farm problem today requires that we make every effort to seek solutions wherever they are afforded. Increase in the production of sugar beets will not, of course, solve the total problem, but it will provide economic benefits for farmers and any acreage planted to sugar beets will surely avoid the growing of any crops which are now in surplus.

Mr. Chairman, in order that your committee might have a picture of the situation as it exists in Nebraska, I want to recite some facts that I found after making a survey of my own. I contacted the most authoritative source in a few counties right around my home area in Nebraska. I give you these figures not representing the total picture for Nebraska, but rather as samples.

I live in south-central Nebraska in the county of Kearney. That county has approximately 80,000 acres of land under irrigation, 45,000 of which is pump irrigation and the balance under the tricounty district. Kearney County had only 1,100 acres of beets last year. This 1,100 acres was divided between 27 growers. My survey indicates that a great number of farmers have asked for an allocation and that the county could handle several hundred more acres of beets.

Buffalo County, which neighbors my county on the north, has 1,800 acres of beets. In this county, also, sugar beets are a very desirable crop. Each year farmers who have never grown sugar beets are asking for an allotment and the present growers want an increase in acreage. Buffalo County has 115,000 acres of irrigated land, most of which is pump irrigation. The need for increased sugar beet acreage is great.

Phelps County is now growing about 810 acres of sugar beets. Beets are well adapted to that area. I have received a report that the county could well use an allotment anywhere from 2,500 to 4,000 acres. Phelps County has 100,000 acres of irrigated land provided by the tricounty and 470 irrigation wells.

Furnas County reports to me that they have only 230 acres of sugar beets; it is a desirable crop and they could well use an allotment of about six times

that amount. They have 30,000 acres under irrigation, approximately one-half of which is pump irrigation provided by 290 deep wells.

Franklin County produces no sugar beets at the present time. Reports indicate that it would be a desirable crop. The county has 28,000 acres under irrigation and it would like a sugar beet allotment up to 8,000 acres at the present time.

Webster County is another county without sugar beet acreage allotment. They have about 15,000 acres under irrigation. A great many farmers in Webster County would like to raise sugar beets. More than 20 made application for allotments for 1960, but none was available. The area is suited to the production of sugar beets and they would like to start with an acreage of at least 2,000 acres.

Nuckolls County has shown a great interest in a sugar beet program. The Republican Valley is irrigated from the Bostwick District, and sugar beet acreage is greatly needed to round out their economy. I have received a great deal of supporting material from Nuckolls County.

Last year Hamilton County only had 13 farmers with a sugar beet acreage who grew over 700 acres of beets. Local people report to me that sugar beets are a desirable crop for the county. The county has 123,000 acres under irrigation, all of it being pump irrigation. At least one-third of this irrigated land could be used for the production of beets. Two years ago, 18 farmers asked for sugar beet allotments, but only 13 requests were granted.

In Thayer County there are 34,000 acres under irrigation. Farmers are becoming interested in sugar beet production and some have asked for an allotment, but there has been none. There is no sugar beet production in that county. At this time it is estimated they could profitably use an allocation of 800 acres.

Dawson County has approximately 300,000 acres of land under irrigation. This is provided by 2,800 irrigation wells and 70 miles of main canal bringing water from the Platte. Their sugar beet allocation for 1960 was only 2,200 acres. It was reported to me that more farmers are asking for acreage and that those who have a sugar beet acreage are seeking an increase. Dawson County could well use a sugar beet acreage allotment between 10,000 and 20,000 acres.

Considerable interest exists in Red Willow County for increased sugar beet acreage. The allotment for 1960 was a little over 150 acres. Sugar beets are regarded as a desirable crop for the area. Red Willow County has 21,000 acres under irrigation and at the conclusion of reclamation projects underway in the area they will have an additional 22,000 acres. They could use an increase in sugar beet production up to 2,000 acres instead of the 150 acres they now have.

I have been informed that Adams County produces about 100 acres of sugar beets. This production is carried on by two farmers. An estimate was received that indicated that Adams County could use a sugar beet allocation of 3,000 acres. They have almost 58,000 acres under irrigation, 56,000 of which is from pump irrigation. Farmers are asking for an acreage allotment.

These facts have been gathered from a limited number of counties. There are many more counties in the State where sugar beet acreage is needed and being requested.

At the present time the U.S. annual consumption of sugar is about 9.5 million tons. Only 55 percent of this is produced within the United States, including Hawaii, Puerto Rico, and the Virgin Islands. Many foreign countries who share in our sugar market are seeking an increase. Other foreign countries are lobbying for a sugar quota from the United States.

Nebraska should have more sugar beet acreage. It will add to the income of our farmers and to our economy generally. It will lessen the production of crops of which we have an oversupply. It just does not make sense when we are beset with low farm income and many agricultural problems for this country not to produce a greater portion of our sugar needs. Allocations to domestic producers of sugar should be increased. The foreign allocations should not be increased either in volume or by adding new countries as suppliers.

A long-range Sugar Act providing for an increase in domestic production should be passed by this Congress.

The CHAIRMAN. The Chair has been requested to insert in the record a statement and enclosure from Senator Warren G. Magnuson of the State of Washington; a letter from Senator Frank E. Moss of Utah; a joint statement from Congressmen Odin Langen of Minnesota, Don

L. Short of North Dakota; and Hjalmar Nygaard of North Dakota.
(The documents referred to follow:)

STATEMENT ON H.R. 5403, EXTENSION OF THE SUGAR ACT, BY SENATOR WARREN G. MAGNUSON

Mr. Chairman and members of the committee, I have appeared before you on numerous occasions to urge a provision in the Sugar Act for new growers—a provision that would let more farmers into the sugar beet business. Likewise, I have submitted to you on at least three occasions amendments to the act aimed at accomplishing this objective. These continued efforts have resulted in some recognition of the so-called new grower problem but there are still many farmers, particularly in irrigated areas like the great Columbia Basin, who would like to produce these cash crops.

I submit for the record three telegrams I received this week from parties at interest in the State of Washington: Earl S. Gregory, secretary-treasurer of the Quincy Columbia Beet Growers Association, Inc.; W. B. Tarver, secretary, Quincy Valley Chamber of Commerce; and Lorin W. Markham, general manager of the Spokane Chamber of Commerce. Also enclosed for the record is a certified copy of a resolution adopted by the Washington State House of Representatives.

Mr. Chairman, I realize that your committee faces a very difficult decision. The Sugar Act expires March 31. Unless it is extended, great harm might be done to farmers currently engaged in producing sugar beets and even to consumers of this country. If the act expires, there will be no authority to make benefit payments to over 1,000 farmers in the State of Washington currently engaged in farming almost 40,000 acres of beets.

You will note that my constituents recognize these facts and hence have gone on record for a 9-month rather than a 21-month extension of the Sugar Act. They take this position out of deep concern that a 21-month extension will put less pressure on the Congress and the industry to enact long-term legislation at this 1st session of the 87th Congress.

Your committee will have to decide whether there is time between now and March 31 to put a bill through the Senate which amends the House version—then hold a conference—and still achieve an extension before the Easter recess. If you decide this question in the negative, then I strongly urge that you and your committee use your great influence to insure that long-term legislation is enacted before we adjourn.

Senator Jackson joins me in this statement.

QUINCY, WASH., March 23, 1961.

Hon. Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.:

Strongly urge you resist House version of Sugar Act extension. We want only 9-month extension making mandatory 4- or 5-year Sugar Act legislation during this session with language provided to allow factory construction on new areas where farmers want to grow sugar beets. Not sensible to continue allotting sugar quotas to foreign countries when our own farmers are pleading for a chance to grow beets.

QUINCY COLUMBIA BEET GROWERS
ASSOCIATION, INC.

EARL S. GREGORY,

Secretary-Treasurer.

QUINCY, WASH., March 24, 1961.

Hon. Senator MAGNUSON,
Washington, D.C.:

Strongly urge you support only 9-month extension OK Sugar Act making mandatory 4- or 5-year Sugar Act legislation during this session with language provided to allow factory construction in new area where farmers want to grow sugar beets. Not sensible to continue allowing sugar quotas to foreign countries when our own farmers are pleading for a chance to grow beets.

QUINCY VALLEY CHAMBER OF COMMERCE,
W. B. TARVER, *Secretary.*

SPOKANE, WASH., March 24, 1961.

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.:

A great need exists for increased sugar beet acreage in Washington State, especially in the Columbia Basin. Other Western States have like need. To permit this increase and construction of needed factories, imperative that Sugar Act extension now being considered by Senate be limited to 9 months. Such action will permit passage later in the session of 4- or 5-year legislation giving increased sugar quotas to new growers on irrigation projects. Please support the 9-month extension. Will phone you later.

LORIN W. MARKHAM, *General Manager.*

HOUSE OF REPRESENTATIVES,
STATE OF WASHINGTON,
Olympia, March 25, 1961.

HON. WARREN G. MAGNUSON,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: I have the honor to transmit to you a certified copy of a resolution adopted by the house of representatives on March 23, 1961, requesting an extension of the Sugar Marketing Act now pending before the U.S. Senate.

Very respectfully yours,

S. R. HOLCOMB, *Chief Clerk.*

IN THE LEGISLATURE OF THE STATE OF WASHINGTON

HOUSE OF REPRESENTATIVES

RESOLUTION BY REPRESENTATIVES SID FLANAGAN AND RICHARD "DICK" C. CECIL

Whereas only about one-third of the sugar consumed in the United States is produced within the United States; and

Whereas recent political disturbances in foreign countries threaten a future stable supply of sugar for the U.S. consumers; and

Whereas many thousands of acres of the highest beet producing land in the United States are available in eastern Washington for the production of sugar beets along with a strong desire by the farmers in this area to engage in the production of additional sugar beets; and

Whereas the building of additional sugar factories will contribute greatly to the development of new reclamation areas not only in Washington but throughout the other Western States, will add millions of dollars of increased business volume, will cause increased employment, and will increase the value and amount of taxable property in this State; and

Whereas the limitation upon increased sugar production in this State is the lack of sugar manufacturing capacity; and

Whereas the present proposed 21-month extension of the Sugar Act now before the U.S. Senate will not enable sugar companies to make the large investments required for the building of sugar factories because it gives no assurance to any company that it could retain sugar beet acreage for a long enough period to justify such a capital investment: Now, therefore, be it

Resolved, That we, the House of Representatives of the State of Washington, urge that U.S. Senators Warren G. Magnuson and Henry M. Jackson and the U.S. Senators from Texas and New Mexico do everything possible to provide for a 9-month extension of the Sugar Act, with provision for a special sugar marketing allotment to any company willing to build a sugar plant, and with the understanding that during such 9-month period a new Sugar Act will be enacted that will provide a larger share of the U.S. market for U.S. producers and sugar companies to enable them to make the necessary expansion in this industry; be it further

Resolved, That copies of this resolution be transmitted to Senators Warren G. Magnuson and Henry M. Jackson.

I hereby certify this to be a true and correct copy of resolution adopted by the House of Representatives March 23, 1961.

S. R. HOLOOMB,
Chief Clerk, House of Representatives.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
March 27, 1961.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR HARRY: I understand the Finance Committee will consider this morning H.R. 5463, the bill the House of Representatives has already passed to amend and extend the Sugar Act of 1948 for 18 months.

The national sugar policy as embodied in the Sugar Act has been eminently successful. The present bill has the complete support of all segments of the domestic sugar industry. I am confident that the members of your committee will act swiftly on the measure so it may be brought to the Senate floor for action before the act expires at midnight on March 31. Should the act not be extended by that date chaos would prevail in the sugar markets of America and the world.

I was recently in Utah where I addressed the Cache County Beet Growers' Association at Smithfield, Utah. I found there considerable anxiety among growers as to what the future holds for the sugar beet industry. As soon as the measure temporarily extending the sugar law is passed by the Congress I am confident that representatives of the sugar beet industry will be willing to meet with their competitors in the cane sugar business, including the sugarcane refiners, to reconcile the differences among themselves, and together with their friends in Congress and in the executive branch of the Government work out legislation that is acceptable to all. I am confident also that these proposals will recognize the world problems with which sugar has become so inextricably involved in the past few years.

Sincerely,

FRANK E. MOSS.

JOINT STATEMENT OF HON. ODIN LANGEN, MINNESOTA, HON. DON L. SHORT, NORTH DAKOTA, AND HON. HJALMAR NYGAARD, NORTH DAKOTA, ON THE EXTENSION OF THE SUGAR ACT

We sincerely question the wisdom of extending the present Sugar Act for another 21 months. We do so because of the need for revisions in the law to allow for greater participation on the part of domestic growers in producing the sugar requirements of this Nation. This need has been expressed over the past many years in terms of the great desire of our Red River Valley farmers to grow beets, and by the fact that we have very substantial evidence of their ability to do so. In our own Red River Valley area of northwestern Minnesota and eastern North Dakota, for many years farmers not presently growing beets have been making applications for beet allotments without success. The present beet industry which we do have in our area is ample proof of the feasibility of growing and processing beets in this area.

In the light of the great domestic potential and the need for putting it into operation in terms of a longer-term revision of the Sugar Act, a 21-month extension seems an unnecessary delay. If the law is extended for 21 months, it would be 3 years before domestic growers could be given any real consideration, and I believe that present sugar producers and potential producers should be permitted a fair share of U.S. sugar needs as soon as possible. Surely we have ample time in the remainder of this session to arrive at a revised act which will allow our domestic producers to participate in fulfilling a greater share of the sugar market. Therefore, a 9-month extension would seem to be very ample. And in addition, if such a decision could not be reached this session, it would be extremely simple to add another extension later. I believe our domestic producers deserve at least this opportunity to present their case.

Another undesirable aspect of extending the present act for 21 months is that it will tend to set a precedent for buying sugar from foreign countries who will be dissatisfied if a part or all of their American temporary market has to be revised. This would be much less of a problem under a 9-month extension.

To provide the committee with a brief picture of the interest in the Red River Valley area in an opportunity to expand sugar beet production, we offer the following excerpt from a study prepared by B. E. Youngquist, superintendent of the Northwest Agriculture Experiment Station of Crookston, Minn. :

GENERAL COMMENTS BY THE SUPERINTENDENT OF THE NORTHWEST EXPERIMENT STATION, CROOKSTON, MINN.

I. The farmers included in the 10 sugar beet development associations do not represent all farmers who have suitable soil and financial capability to raise sugar beets in the Red River Valley.

II. There are a number of reasons why the Red River Valley in general is well suited to the production of sugar beets:

1. The large farms averaging well over 400 acres of fertile level land facilitates large-scale mechanized production.

2. The major crops of the Red River Valley which compete with sugar beets are those which are already in surplus production; therefore, the sugar beets, among other cultivated crops, are particularly welcome to help relieve the surplus problem.

3. The producer of sugar beets in the Red River Valley can compete successfully from the standpoint of his cost of production with farmers anywhere in the U.S.A. domestic beet production areas. Natural rainfall provides water year after year. Farmland is lower priced than other areas of similar fertility in the United States of America.

4. The sugar beet crop has experienced very little disease problems under the cool climatic conditions which exist.

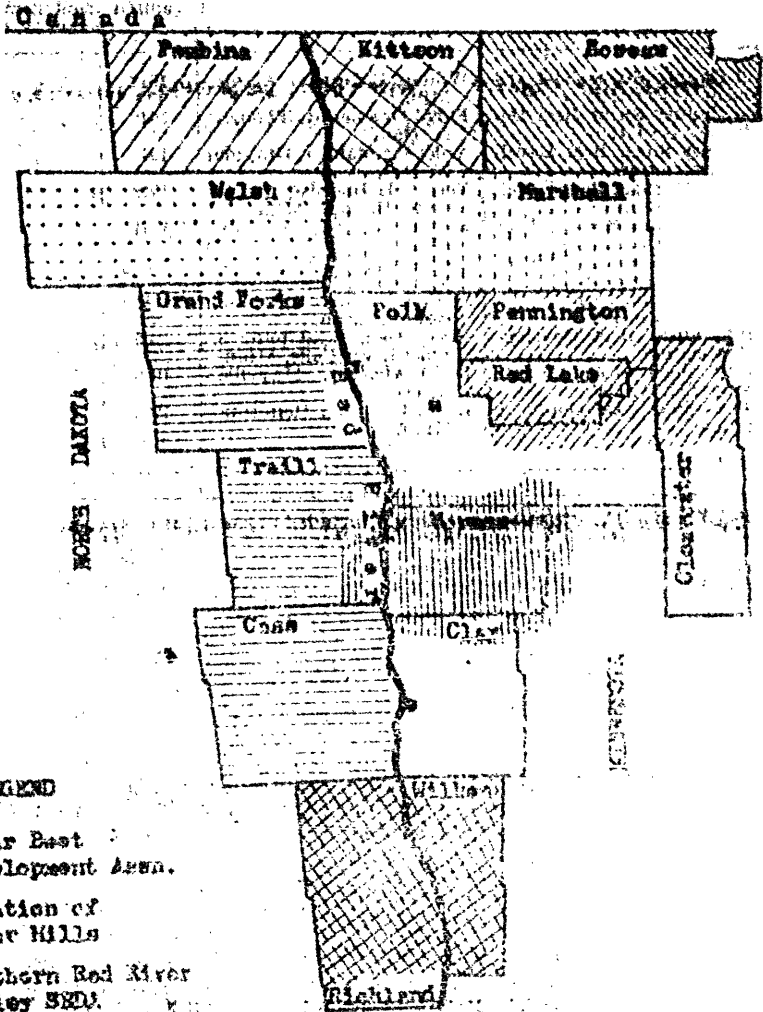
III. Currently, there are about 1,200 growers of sugar beets who produced roughly 103,500 acres of beets in the Red River Valley this past season. This acreage could be tripled in the next decade from the standpoint of the availability of suitable land and the actual capacity of farmers to take on additional acres. The farmers can increase sugar beet acreage just as fast as processing facilities can be made available. For the longer pull, as one studies the amount of Fargo-Bearden Association soils in the entire Red River Valley, it is reasonable to conclude that 500,000 acres could be brought into production.

IV. To summarize: The culture of the sugar beet fits unusually well with much of the soil type, with the topography, with the climate, and with the type of agriculture found in the Red River Valley. These facts, along with a commendable record of producing sugar beets to date, are reasonable assurance that farmers would be inclined to stay with the sugar beet crop for the long pull ahead. As one examines all of the factors, it is not out of order to point out that the Red River Valley should be among the very top of those areas in the United States to receive first attention when it comes to increasing processing facilities so that more acres of sugar beets may be produced in this favorable area. The farmers are ready to provide additional acres of sugar beets as fast as sugar mill capacity is available.










*Sugar Beet Development Association, Red River Valley, N. Dak. and Minn.,
Jan. 1, 1961*


Name of sugar beet development association	Name and address of president	Date organized	Number of paid members Jan. 15, 1961	Acres of sugar beets desired
Marshall County Sugar Beet Development Association.	William Robertson, Argyle, Minn.	1948	110	16,008
Pembina County Sugar Beet Development Association.	Floyd Greene, St. Thomas, N. Dak.	1948	94	8,430
Walsh County Sugar Beet Development Association.	Arnet Weinlander, Drayton, N. Dak.	1948	86	8,540
Kitson County Sugar Beet Development Association.	Vern Holmquist, rural route, Hallock, Minn.	1948	119	12,070
Minnesota-Dakota Sugar Beet Development Association.	Byron Hanson, Hallock, Minn.	1941	(1)	-----
Southern Red River Valley Beet Development Association.	Leo Yaggi, Breckenridge, Minn.	1953	169	17,140
Roseau County Sugar Beet Development Association.	Hilding Grahn, rural route, Roseau, Minn.	1955	159	11,200
Tri-County Sugar Beet Development Association.	Harry Gen, rural route 3, Thief River Falls, Minn.	1965	369	25,401
Tri-County Sugar Beet Association, Mayville, N. Dak.	Ed Dornocker, Mayville, N. Dak.	1960	515	56,500
Mid-Valley Beet Development Association.	R. G. Canning, Hendrum, Minn.	1960	365	32,000
Total	-----	-----	2,016	187,319


¹ Not listed here as these members are already included in county associations.



LEGEND

-  SBDAs Sugar Beet Development Assn.
-  Location of Sugar Mills
-  Southern Red River Valley SBDAs
-  Mid-Valley SBDAs
-  Tri-County SBDAs (North Dakota)
-  Tri-County SBDAs (Minnesota)
-  Pembina Co. SBDAs
-  Kittson Co. SBDAs
-  Roseau Co. SBDAs

 Walsh Co. SBDAs

 Marshall Co. SBDAs

Minnesota-Dakotas SBDAs-- includes several counties in northern Red River Valley

SUGAR BEET DEVELOPMENT ASSOCIATIONS, RED RIVER VALLEY

SENATOR ANDERSON. Mr. Chairman, do you have a statement from Congressman Walter E. Rogers of Texas, and Congressman Thomas G. Morris of New Mexico?

The CHAIRMAN. I have those statements. I now submit them for the record.

There are more statements to be put in: A statement from Congresswoman Catherine May of the Fourth District of Washington; and a statement from Senator Clinton P. Anderson.

(The documents referred to follow:)

STATEMENT OF HON. WALTER E. ROGERS, MEMBER OF CONGRESS, 18TH CONGRESSIONAL DISTRICT OF TEXAS, ON H.R. 5463

Mr. Chairman and members of the committee, I am honored to appear before you to testify for a limited extension of the Sugar Act of 1948 as amended. The district that I represent is the 18th Congressional District of Texas, commonly referred to as the Panhandle of Texas. This area is one of the finest sugar beet areas in the United States. During the time that acreage allocations were in effect, the entire State of Texas had slightly over 1,000 acres. You can readily see the dilemma with which we were faced. Under recent estimates, I am advised that between 30,000 and 40,000 acres are necessary to sustain a sugar mill. It is true that there are no present acreage allocations. It is also true that our farmers are free to grow as many sugar beets as they desire. This statement has been made by Members of the House of Representatives without full explanation. Without explanation, the statement is grossly misleading. The fallacy lies in the fact that there would be no market for the sugar beets grown at the present time, the reason being that there is no sugar mill to process the beets in that area and, hence, no one would purchase them. It would be impossible to erect a sugar mill at this time without proper legislation first being passed. It is my understanding that a sugar mill would cost from \$14 to \$15 million, which is an investment that would hardly be made by any individual or group without some assurance of a possibility of recovery. The low history of our general area and the possibility that acreage allotments could be reinstated does not make a very inviting picture to potential investors. These facts constituted some of the reasons for our insistence in 1960 that permanent legislation be adopted as soon as possible to provide needed stability in the sugar program in this country. You will all recall the heated controversy that surrounded the extension of the Sugar Act in the last days of the 86th Congress. In fact, we stayed in session all night trying to reach agreement as to future activities on this subject. Agreement was finally reached by the conference committee on the night of July 5, and a conference report was adopted by both Houses of the Congress.

The last paragraph of this conference report read as follows:

"As part of the understanding reached by the conferees, it was agreed that the conferees on the part of the House would undertake to pass a sugar bill and transmit same to the Senate on the earliest possible date after the reconvening of the House in August."

It was the understanding of those of us in the Congress that this was an honorable and binding agreement and we told our people that such agreement was made in order to provide an orderly procedure, and assured them that the faith would be kept and that early action would be had on permanent sugar legislation. I did warn my people that there was a possibility that legislation might not be completed in 1960, but that other Members of the Congress had assured me that every effort would be made to complete the legislation early in 1961. It was due to this situation that the March 31, 1961, date was agreed upon as the termination date. To my utter surprise, the type of sugar legislation to which we were addressing ourselves in that agreement was not taken up nor acted upon in August of 1960. It is true that a bill was sent to the Senate, but it did not treat the inequities of which we had complained earlier and did not purport to solve any of the problems faced by domestic beet producers in the general area of the Southwest. Hence, I take the position that this act was nothing more than lip service to the agreement that had been made. I would further add that no action was taken in the early days of this session of Congress other than to obtain extension of the act for an additional 21 months. And I point out in this regard that if the 21 months extension is granted, it will amount to the full

3-year extension which was advocated in the last Congress but which was denied in the act that was passed in July 1960, which granted an extension only to March 31, 1961. In other words, the proponents of continued full importation of sugar from the foreign countries of 45 percent of our sugar needs, and the absolute denial to the American farmer of the right to participate further in providing domestic sugar demands, will have been accomplished piecemeal. The result will be the same as if we had yielded last July and given these people a 3-year extension of the Sugar Act.

All the American farmer seeks is fair treatment in accord with the standards employed by other segments of the economy. He desires the right to produce a fair share of our domestic sugar needs. We all realize the need for foreign trade, but we likewise appreciate the fact that this country must not permit itself to become dependent upon foreign nations for sugar, to the extent that we cannot quickly build up our production capacity to meet our needs if the circumstances require it. We must not run the risk of another period of rationing and scarcities with which we were faced in World War II. Certainly, the American farmer is entitled to produce a reasonable part of our domestic needs.

At the present time, our domestic consumption is slightly above 9 million tons raw value. Of this amount domestic producers provide approximately 55 percent (this includes Hawaii, Puerto Rico, and the Virgin Islands). The remaining 45 percent is furnished by foreign countries, both quota and nonquota. The Cuban quota was equal to approximately 30 percent of our domestic needs. This approximated about two-thirds of our imported sugar or approximately 3 million tons. The figures on sugar seem to be very complex for some reason, but it is admitted that Cuba has been selling us between 3 million and 3,250,000 tons including raw and direct consumption. In any event, this 3 million tons of sugar that is not being sold to us by Cuba because of the attitude of that government and the cessation of relations between these two countries must be purchased from other foreign countries. This means that the American farmer is being denied the right to produce so much as 1 pound of the sugar formerly sold to this country by Cuba.

If the Sugar Act is extended for 21 months, it will mean that this sugar will be produced by foreign countries who have heretofore furnished less than one-half of that amount. If this privilege or right is vested in these foreign countries for 21 months, it will, no doubt, in the minds of those countries, ripen into an absolute right and there will be little, if any, chance to recover it or any part of it for the American farmer or for use in future dealings with Cuba unless we are willing to run the risk of offending some of these foreign countries and providing them with an excuse to move over into the Communist camp.

We realize that there is a need for a reasonable extension of the Sugar Act. This is due to developments and circumstances that have lengthened our supply line. We are told by the Sugar Division of this Government that the supply line from Cuba was 6 days; that when relations between these countries were severed, our supply line shifted to the Philippines which is a 6 weeks' supply line; that in order to provide a balanced and uninterrupted flow of sugar, it was necessary that the act be extended beyond March 31, 1961, so that the sugar market would not be upset pending the adoption of permanent legislation by the Congress. Accepting these statements at face value, we do agree that a reasonable extension is necessary. Whether or not this extension should be for 3 months, 4 months, or 9 months, we do not desire to argue. However, we do insist that the extension should not be beyond this calendar year. Hence, we contend that any extension granted should be for not more than 9 months. People of this country and their duly elected Representatives in the Congress have the right to rely upon the commitments made in the last Congress and to expect permanent legislation to be adopted this year in the absence of unforeseen national or international difficulties.

I would point out that the Director of the Sugar Division of the U.S. Department of Agriculture has furnished me with the names of the continental refiners, the importers, and the sugar beet processors. The importers are only 12 in number. The continental refiners are 15 in number. In this connection I would point out that all offshore sugar is cane sugar. Hence, there is no direct connection between the beet processors and foreign or offshore sugar. There are 15 beet processors, 5 of which are located in Colorado.

According to information furnished me by the Sugar Division, they indicate that beet sugar production is about 2.45 tons per acre. Hence, 500,000 tons of raw sugar would require approximately 200,000 acres. This would mean ap-

proximately five sugar mills in this country at an average cost of around \$12 million, or a total of \$60 million.

We feel that early attention should be directed toward a correction of the discrimination that has been practiced against the American farmer, both cane and beet, insofar as the ratio of domestic and foreign sugar is concerned.

We are daily confronted with the argument that this country is suffering from unemployment. We are daily confronted with the argument that the farm programs are not good because of tremendous surpluses of the crops which the farmers can produce. We are daily confronted with the story that the outflow of gold from this country is most serious.

I would also point out to the members of this committee that much has been said about the need to retain full control of the Cuban quota, so that further purchases could be made from Cuba should the relationship between our governments become reconciled to the installation of a new government in Cuba. I would hasten to say that the possibility of a change in the Cuban Government would appear to be rather remote at this stage. However, it would seem to me that at least one-third of the Cuban quota could be assigned to domestic producers immediately. Should our hopes for better relations between the people of our Government and the people of Cuba who believe in freedom be realized, the full tonnage allotted to domestic producers could be recovered by proper application of the growth factor within less than 10 years.

Another point that should be noted is the fact that Castro is reputed to have recently stated that he might consider paying for some of the properties which he confiscated from American investors, but if he should decide to do this, it would be necessary for the United States to purchase sugar from him. This, in my opinion, is nothing short of international blackmail. In fact, it goes further. If such terms were ever agreed to by our Government, it would be tantamount to requiring the American farmer to pay to investors of this country the losses they suffered in an assumed risk foreign investment. Certainly, these investors are entitled to be paid for the property that was stolen from them, but the American farmer should not be penalized by the denial of the right to produce a greater amount of our domestic sugar needs in order to appease Castro or any other foreign government.

I respectfully submit that a proper treatment of the sugar problem with relation to permitting our own farmers to further participation in providing our domestic needs could and would help all three of these problems: (1) It would help stabilize the economy in these areas where sugar beets and cane can be produced; (2) It would help solve the surplus farm products problem because it would enable the farmer to plant nonsurplus crops (sugar beets) on land now being used to produce surplus crops; (3) it would help to stem the outflow of gold from this country.

We respectfully submit that this is a matter requiring immediate attention and we sincerely hope that this committee will see fit to approve an extension of not more than 9 months and that its report on the matter will contain reference to the need for speedy action in the adoption of permanent legislation.

STATEMENT OF CONGRESSMAN THOMAS G. MORRIS OF NEW MEXICO, CONCERNING EXTENSION OF THE SUGAR ACT

Mr. Chairman and members of the committee, thank you for this opportunity to present for your consideration my support of a short extension of the Sugar Act and an increase in the production of domestic sugar.

Last year the House managers in the conference report on legislation extending the Sugar Act, stated, "As part of the understanding reached by the conferees, it was agreed that the conferees on the part of the House would undertake to pass a sugar bill and transmit same to the Senate on the earliest possible date after the reconvening of the House in August." Assurance thus was given to the American farmer that his right to grow sugar would be given consideration: However, this opportunity has not come. It is my understanding hearings will begin in May on permanent legislation. Then why must we have this 21-month extension? Surely we can consider and pass such permanent measures before the end of the year.

Mr. Chairman, if this 21-month extension is put into effect, then for all practical purposes, new domestic producers might as well forget about any acreage until 1964. Our farmers, processors, and the domestic industry will have very

little change to regain their rightful share of the market. Lawrence Myers, Director of the Sugar Division of the Department of Agriculture, stated in an address on November 15, 1960, "The fact remains, however, that when price premiums amount to as much as \$150 million a year, vested interests are claimed automatically. All the arguments in the book will be put forth by producers desiring to sell at such premium prices. Regardless of the wishes of either Congress or the administrative agencies the vested interest arguments of new suppliers will become stronger as the period of time they supply our market increases."

What is our answer when the countries which now are importing the suspended quota of Cuba acquire a \$150 million a year vested interest? What will be our answer when the time comes for us to give that suspended quota to someone else? A short-time extension would emphasize to the present producing areas that any reallocations they obtain are only of temporary nature and give us sufficient time to pass permanent legislation for the betterment of all concerned.

As was pointed out on the floor of the House last week, there is nothing that will prevent any farmer from growing all of the sugar beets he wants to grow. Allow me to say that this is only a part of the story. If the farmer is to grow beets, he must sell them. Now, where can he sell? We are told the old processing plants are operating at full capacity and can take only a small increase in production. No new plants have been built in the past 5 years; indeed, the number of plants for the past several years has been steadily declining. Maybe the answer is through constructing new processing plants. Permit me to quote a paragraph from a letter I received from the Sugar Division, Department of Agriculture:

"There is nothing in the act to prevent the construction of a new sugar beet plant. However, it would require assurance that sufficient acreage was available to produce the beets needed to economically operate a plant. In addition, if it would become necessary to reimpose sugar marketing allotments in the sugar beet area under provisions similar to those in the present act, it would be necessary that such processor have a marketing allotment in order to market the sugar produced. Accordingly, the decision to erect a new plant could be made only with assurance that such a plant would have adequate sugar beet acreage and a sugar marketing allotment."

Then, how does one establish an assurance for sugar beet acreage? Again let me quote from the Sugar Division, letter: "Section 302(b) of the Sugar Act provides that proportionate shares for individual farms will be determined by taking into consideration the factors 'past production' and 'ability to produce' (determined to mean demonstrated ability). For each of the crops of 1955 through 1960, the national sugar beet acreage limitation was apportioned among States on the basis of the acreage planted to sugar beets during a period of years. In each State, the acreage was then distributed among old producers with recognition of the same factors. A small acreage within each State allocation was set aside each year for use in establishing proportionate shares for new producers."

Here are the figures for new producers in sugar beet areas for years 1955 and 1960:

	Number of requests	Acres requested	Acres established
1955.....	1,716	58,719	13,210
1960.....	3,338	189,442	17,282

Clearly then, a new plant could not depend on such an allocation since we are told that 20,000 acres would be a minimum amount needed to support a plant, more than the total new producer allotment for the entire United States. In other words, a new plant will not be built unless a stable supply of beets is available. The stable supply cannot be established unless the sugar beet can be marketed, and the farmer cannot market his commodity with a profit unless a plant is available to take his beets—a circle of impossibility for the new production area. Private industry will not build any new plants until it has the assurance that permanent acreage is available, when restrictions are reimposed. In order to give reasonable assurance of at least sufficient acreage to guarantee the

investment in a plant, it should be stipulated in the law that allocations made to new areas shall not be reduced below a minimum level required to utilize efficiently the processing plants developed. With such a provision, private industry will build.

With the suspension of Cuba's quota and the natural growth consumption, something like 3.2 million tons of sugar is being reassigned. This reallocation has prompted foreign requests for new and additional quotas in the amount of 4 to 5 million tons. So one can tell that all sugar-producing areas outside of the United States would like to share in this profitable commodity. To date, the sugar needed to replace this reallocation has been obtained from foreign sellers at the same price as prevailed for U.S. quota sugars, except for the Dominican Republic. These foreign suppliers have benefited from higher prices maintained in the American market with a quota premium in recent years of \$2 a hundred and raw sugar compared with the "world free market."

In contrast, where the domestic industry has been prevented from increasing its production, I am quoting below some facts and figures which point out how our Government has encouraged the expansion of sugar-producing areas outside of this country. I do not want to imply that I am opposed to some of the investments that are being made to encourage production in these countries but I do feel that our domestic producers should have at least an equal right to expand and grow in this important commodity.

EXPORT-IMPORT BANK

In 26 years, the Bank has issued 45 credits in the amount of \$50,753,192 to sugar production and processing:

Philippines:		Ecuador:	
Nov. 22, 1957.....	\$70,000	Feb. 17, 1959.....	\$62,000
Feb. 17, 1959.....	42,948	Feb. 2, 1960.....	58,000
Apr. 30, 1959.....	202,144	Nov. 18, 1960.....	32,500
Apr. 8, 1960.....	12,142	Dec. 13, 1960.....	14,500
Aug. 25, 1960.....	110,736	Dec. 20, 1960.....	110,000
Jan. 27, 1961.....	167,000	Dec. 29, 1960.....	118,000
		Dec. 29, 1960.....	96,000
Mexico:		Argentina:	
June 14, 1956.....	32,000	Feb. 23, 1956.....	310,000
Feb. 14, 1957.....	33,400	May 9, 1957.....	97,000
Apr. 3, 1958.....	3,000,000	Mar. 31, 1960.....	1,787,000
Mar. 4, 1960.....	22,000	Aug. 12, 1960.....	110,000
Brazil:		Honduras:	
Oct. 9, 1957.....	32,100	Aug. 1, 1957.....	1,000,000
Jan. 31, 1958.....	33,500	Peru:	
Jan. 15, 1958.....	33,600	Mar. 28, 1957.....	731,000

DEVELOPMENT LOAN FUND

Bolivia: 1959, \$2,500,000; 1961, \$1,750,000.

Haiti: Applications were considered and approved in 1960 for \$8 million; however, this was canceled in 1961. Another application has been received in February of this year for \$3 million.

Guatemala: An application has been received for \$5,592,000. This has been referred to the Export-Import Bank.

INTERNATIONAL COOPERATION ADMINISTRATION

A large number of their loans are for general agriculture developments, and actual figures of support for sugar programs were not supplied. However, the following countries have had sugar developments of some sort involved in their programs.

Vietnam: Various training programs from 1955-59.

Tunisia: 1959.

Indonesia: Technical production, experimental plots 1959.

Iran: June 1952 until March 1957, \$635,000 to expand a plant. February 1953 until March 1956, \$931,000; two plants.

Sudan: Survey in 1959.

Taiwan: Support to improve refining equipment 1952-53, 1954, 1955.

INTER-AMERICAN DEVELOPMENT BANK

Bolivia in a \$10 million global credit received \$1,800,000 to increase a sugar processing plant by 50 percent.

Argentina has applied for a global credit of \$800,000 to be used in sugar development.

Haiti has requested a global credit of \$4 million and, if approved, part of the money would go to double the production of an existing sugar plant.

Honduras has presented an application, part of which is to increase a sugar plant daily capacity by 40 percent.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Bank has been making agriculture loans for several years, some of which have gone into sugar production. However, figures were not available showing actual support of sugar.

INTERNATIONAL FINANCE CORPORATION

Tanganyika: June 2, 1960, \$2,800,000 for sugar development.

There is no doubt you and many of our colleagues believe that our sugar-producing areas should receive an opportunity to produce more sugar or establish new production as well as participate in the reallocation of Cuba's quota on an equal basis with those countries who import sugar into the United States. We have an opportunity to implement the President's policy of developing New Frontiers. These frontiers are at our own back door where our prospective sugar farmers have been denied the right to grow and sell sugar within their own Nation to fulfill our domestic needs. We can add new jobs across the Nation, promote economic growth of our country, reduce the flow of gold from our Treasury, and raise the farm income which in the words of our President, has declined 25 percent in the last decade.

I urge you to give these American farmers the chance they deserve, by reducing the 21-month extension to not more than 9 months.

Thank you.

STATEMENT OF HON. CATHERINE MAY REPRESENTATIVE, FOURTH DISTRICT OF WASHINGTON, ON EXTENSION AND AMENDMENT OF THE SUGAR ACT

Mr. Chairman, it is gratifying that this committee, recognizing the need of our domestic sugar beet growing industry for a greater share of our Nation's sugar consumption, is conducting a hearing on this vital matter.

It is indeed paradoxical that we have the strong desire and ability to grow and process this successful crop domestically, yet we import nearly half of the national supply from foreign sources. Oftentimes we grant these foreign suppliers with quotas they are unable to meet, yet we heretofore have refused to encourage new domestic growers.

As a member of the House Agriculture Committee, I am well aware of the difficulties involved in attempting to rewrite the Sugar Act to conform to the wishes of all segments of the sugar industry. Certainly, as Representative of a district comprising both "old" and "new" growers, I am aware that the old growers would not like to see a reduction of their quota to satisfy the needs of the new growers. But if the new areas can be granted their wish for a better chance under the Sugar Act without damaging old areas, the two are agreed.

I support the view that this can be accomplished, that it is possible to reconstruct the act so that the changes will be detrimental to no one. I believe that with true cooperation from the various segments of the industry and the Congress, the proper formula will be forthcoming.

I therefore believe that it is most necessary at this time, in order to pave the way for equitable provisions in long-term legislation in the future, that we do not extend the act for periods longer than necessary to hold hearings adequate to draft the proper legislation. I am opposed to a 21-month extension. Such a long extension will merely invite delay to solution of our problems.

Let me emphasize the reasons I feel it is necessary that enactment of the extension of the act be for precisely 9 months beyond March 31 of this year.

An extension for any period of time less than this would cause most serious administrative difficulties of the act. An extension in excess of 9 months would

run the risk of throwing consideration of term legislation over into the 2d session of this Congress, or to a completely new Congress, and would increase the likelihood of further last minute decisions that have plagued the Congress in consideration of sugar legislation during the last 2 years.

One other matter gives me great concern, a concern which I am sure is shared by this committee and all of Congress, the sugar industry, and the American public. This is the immediate and disastrous effect on the U.S. market if the Sugar Act should be allowed to expire. While I am certain that this is the last thing any of us would want, I raise the point because of the uncomfortably brief time left before the expiration date. March 31 is so close you can count the legislative hours remaining: the days can be counted on the fingers of one hand. I point out that if the act were to terminate, there would be no control or authority the President might use in preventing foreign sugar from flooding the U.S. market, causing unstable price conditions not in the interest of the industry or the housewife. It is reported to me on good authority that at this very moment vessels are loading raw sugar in Cuba, which have as their destination the Iron Curtain countries. These vessels could very easily be diverted to ports in the United States. In addition, I understand there is a considerable quantity of white refined sugar of doubtful origin being held in bond in New York which could be dumped on the U.S. market immediately upon expiration of the act.

The chairman of the House Committee on Agriculture has pledged that hearings will be held in the House in early May so that all segments of the industry may testify on needs of long-range legislation. I am sure that this committee is anxious that full and deliberate hearings can be scheduled without the necessity of being forced into hasty "11th hour" actions.

A 9-month extension will provide both House and Senate with adequate time to fully and reasonably consider the needs of new and old growers, and of all segments of the industry.

As soon as it was known that today's hearing was being called, I received telegrams from the Quincy (Washington) Columbia Beet Growers Association, and from the Quincy Valley Chamber of Commerce, urging that I support a 9-month extension of the Sugar Act. Their message is as follows:

"Strongly urge you support only 9-month extension of Sugar Act. Making mandatory 4- or 5-year Sugar Act legislation during this session with language provided to allow factory construction in new areas where farmers want to grow sugar beets. Not sensible to continue allowing sugar quotas to foreign countries when our own farmers are pleading for a change to grow beets.

"QUINCY COLUMBIA BEET GROWERS

"ASSOCIATION, INC.,

"EARL S. GREGORY,

"Secretary-Treasurer.

"QUINCY VALLEY CHAMBER OF COMMERCE,

"W. B. TARVER,

Secretary."

The Quincy area is part of the vast Columbia Basin project in the State of Washington, which received irrigation water long after the Sugar Act was made law. In the Columbia Basin, mostly through transfer of acreage from other areas, 14,439 acres of sugar beets were grown in 1960, including about 2,000 acres in the Quincy area under contract with a sugar company in another State.

As the committee is well aware, the removal of Government acreage allotments for the 1961 crop has been very helpful to some of our new grower areas and I am hopeful that this committee will, in its report, recommend that the Secretary of Agriculture not reimpose controls until long-term legislation is adopted by the Congress.

However, the mere lifting of controls for 1 years does not provide prospective new factories with the necessary assurance that they will have crops to process in later years. If the Congress has a little time, I feel certain that the proper consideration to the problem of the new grower can be given and that the new grower can be treated fairly. I feel that a 9-month extension of the act at this time would be in the best interests of our Nation, and I strongly urge that this committee amend the House bill to a 9-month extension.

STATEMENT BY SENATOR CLINTON P. ANDERSON

The United States is by far the largest consumer of sugar of any nation in the world. We have only 6 percent of the population, but we consume nearly 21 percent of the world sugar production. Nearly 70 percent of our requirements are met by imports.

Because of the availability of large supplies of sugar abroad and the insufficiency of domestic production we have depended largely on foreign sources for this important food product.

Perhaps we have relied on foreign supplies to a greater extent than we should have because of the proximity of Cuba, who has been supplying nearly one-third of our requirements. Even with nearby sources Congress early felt that we must insure some domestic production and this prompted sugar legislation practically since the birth of our Nation.

As times and conditions changed, and as one war followed another, we have had to reevaluate our sugar situation and revise our sugar laws. Under the Sugar Act of 1948, as amended by the 82d, 84th, and 86th Congress we have done a pretty good job of providing the American consumer with an adequate supply of sugar at fairly reasonable prices.

Developments in Cuba during the past 2 years and the economic situation in regard to sugar have brought on the necessity for an early review and revision of our sugar policy and sugar laws.

A few years ago none of us would have dreamed that our Cuban supply of sugar would ever be jeopardized or completely cut off. The sudden halting of sugar shipments from Cuba has jolted us into the realization that we must never again become so completely dependent on a foreign source for such a strategic product. We would have been placed in a difficult situation if our sugar supply had been cut off suddenly in World War II.

When the 1948 Sugar Act was approved 90 percent of our sugar beet crop was harvested by hand. At that time our sugar beet farmers and processors were unable to compete with foreign producers. It is true that the foreign producers still hold some economic advantages but domestic producers and processors are now in a much better position to compete than ever before. With our improved mechanized farm operations, one tractor with proper attachments can now do the work of 20 "stoop laborers."

Considerable advance has been made in development of new strains of sugar beets that are disease resistant. Yields per acre have increased by 25 percent during the last decade. Recently, new discoveries and improvements in our refining processes have made it possible for our refineries to almost double their output without the necessity of large expansion of existing facilities. Heretofore, sugar beets, because of their perishability had to be processed immediately after harvest. But now we find they can be made into a thick syrup that can be stored for a year, thus enabling the mills to carry on a continuous operation during the year.

The Sugar Act expires March 31, 1961. The House of Representatives has approved an extension of the present act for a period of 21 months. I cannot agree that this is the proper action to take. When we extended the Sugar Act last year, assurances were given by the House in the conference report that efforts would be made during August 1960 to write a new law. In that connection I refer you to page 14711 of the Congressional Record of July 5, 1960, the last paragraph in the statement of the managers on the part of the House in regard to the approval of the conference report, which reads as follows:

"As part of the understanding by the conferees, it was agreed that the conferees on the part of the House would undertake to pass a sugar bill and transmit same to the Senate on the earliest possible date after reconvening of the House in August."

Later further assurances were given in both the House and the Senate that at the latest the matter would be considered early in this session.

We must provide the answers to some questions in regard to the sugar situation now or face greater complications later on. We must decide what is to become of the Cuban sugar quota? What must be done in regard to the establishment of new contracts with countries where sentiment toward the United States is in jeopardy? What are we to do about expanding our domestic sugar industry? These and other questions will not be made easier of solution by waiting another 21 months to find the answers.

Perhaps the first problem we should look at is what we are to do about providing some expansion of our domestic sugar industry. None will deny that many of our farming areas need attention now. My State of New Mexico happens to be one of those areas. I have just read in the Department of Agriculture Farm Income Situation released February 1961, that New Mexico's 1960 individual farm income is down 19 percent from 1959. This was chiefly due to decline in receipts from cotton and cattle. This was the greatest decline for any State. We can grow sugar beets in New Mexico and other areas of the southwest with probably the highest sugar content of any place in the country. A few thousand acres allocated to New Mexico, Texas, Arizona, Oklahoma, and other reclamation areas of the Southwest would greatly help our farm income situation and depressed areas.

I am opposed to the 21-month extension of the Sugar Act voted by the House. The situation demands that we write a new sugar law at this session of Congress. Top priority should be given to building the legislation around the expansion of our domestic sugar industry.

The CHAIRMAN. The next witness is Mr. Edwin M. Martin, Assistant Secretary of State for Economic Affairs, accompanied by Thomas C. Mann, Assistant Secretary of State for Inter-American Affairs.

I would like to say that Senator Ellender has suggested if any members of the committee desire to ask him any questions, he would be glad to respond.

STATEMENT OF HON. EDWIN M. MARTIN, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS, ACCOMPANIED BY THOMAS C. MANN, ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS, AND LAWRENCE MYERS, DIRECTOR, SUGAR DIVISION, DEPARTMENT OF AGRICULTURE

Mr. MARTIN. Mr. Chairman and members of the committee, I appear here today in support of H.R. 5463.

Senator ANDERSON. Do you have a copy of the statement?

Mr. MARTIN. Yes.

There is a copy available, I think.

Senator ANDERSON. You know, under the Reorganization Act, they are supposed to be prepared in advance.

Mr. MARTIN. I understand.

I am here today in support of H.R. 5463, approved by the House of Representatives on March 21, 1961. The Sugar Act of 1948, as amended, expires at midnight on Friday of this week. If the act is not extended a period of uncertainty over prices and supplies is bound to follow, with unfortunate results for our domestic sugar industry. Foreign suppliers who depend on this market and its quota system would also be injured. It is therefore a matter of urgency that continuing legislation be considered promptly by the Senate. The Department of State fully supports the bill as passed by the House, and requests this committee to give it favorable consideration.

The bill would continue the present authority of the President to determine the quota for Cuba. In addition it would give the Executive discretionary authority as to whether any sugar needed to replace Cuban supplies should be purchased from any country with which the United States is not in diplomatic relations. Effectively, this means that the President need not authorize the purchase of that sugar from the Dominican Republic. Under the statutory formula provided in the present law, that country would otherwise be entitled

to a major share of allocations made to replace Cuban supplies. It is not presently considered that this would be in the national interest. Mr. Thomas C. Mann, Assistant Secretary of State for Inter-American Affairs, is here with me today, and he will be pleased to respond to any questions you may have in this regard. I would like to say that the discretionary authority requested is considered essential to the proper conduct of our affairs in this hemisphere, and that such authority was contained in a bill approved by the Senate last August.

In addition to providing certain discretionary authority with respect to sugar from the Dominican Republic, H.R. 5463 would extend the present Sugar Act for 21 months until December 31, 1962. The present balance between foreign and domestic suppliers of the U.S. market would be maintained during this period. In the meantime the administration can give thoughtful study to the recent sugar report prepared by the Department of Agriculture at the request of the House Committee on Agriculture. Adequate time will also be provided for consultation with domestic sugar industry. Should it prove possible to enact long-term legislation during the present session of Congress, such legislation could, of course, be brought into force before the expiration of the 21 months provided in the present bill.

In conclusion, Mr. Chairman, I wish to say again that the bill under consideration provides the authority we need at this time in the conduct of our foreign relations, and I respectfully request favorable consideration.

The CHAIRMAN. Thank you, Mr. Martin. Any questions?

Senator BENNETT. I would like to ask a question, but I will wait for Senator Anderson.

Senator ANDERSON. You want the bill as it passed the House, adopted?

Mr. MARTIN. Yes, sir.

Senator ANDERSON. What is the occasion for the 21 months?

Mr. MARTIN. I think the 21-month period was inserted by the House in the feeling that this provided assurance that we would not again have a lapse in legislation, that—

Senator ANDERSON. When did we have a lapse in legislation?

Mr. MARTIN. Well, I am sorry, we did not have one, but we came very close to having one last summer. We are a little close now, and it was felt undesirable to have to rush through emergency legislation without full consideration again.

I think it was recognized that if you get long-term legislation that you can easily reduce the 21-month period.

Senator ANDERSON. What does this do with reference to the countries that have produced from 3,000 to 5,000 tons of sugar? Does it give them any protection?

Mr. MARTIN. My impression is that this is an extension which makes no change in that present situation.

Senator ANDERSON. Well then, I renew my question. What does it do for the producers of 3,000 to 5,000 tons? Does it give them some protection?

Mr. MARTIN. I would like to ask Mr. Myers of the Department of Agriculture if he would like to elaborate on this point. It has come up.

Mr. MYERS. I am Lawrence Myers, Director of the Sugar—

The CHAIRMAN. Mr. Myers, would you first identify yourself for the record?

Mr. MYERS. My name is Lawrence Myers, Director of the Sugar Division of the Department of Agriculture.

In answer to your question, Senator, amendments enacted last summer provide that for countries that have over 3,000 tons but less than 10,000 tons quota under the previous legislation shall be increased to a total of 10,000 tons. That is mandatory, first, in the reallocation of any sugar denied Cuba.

Senator ANDERSON. Does it stop at 10,000 tons?

Mr. MYERS. It is not necessary that it stop at 10,000 tons.

Senator ANDERSON. Did it stop at 10,000 tons?

Mr. MYERS. We did on those that had no more than 10,000.

We increased it further on some such as Haiti, that did have additional sugar.

Senator ANDERSON. Now, what did you do with all the countries that did not have any quotas, the nonquota countries? Did you fill up everything that Peru had, for example, first before you turned to the nonquota countries?

Mr. MYERS. Under the act again, under those amendments, it was necessary to turn to Peru for all the sugar it could supply, because it was a quota country, it is a quota country, and under (iii) of the amendments passed last summer, we are required to go to those countries, and if I may summarize the formula for reallocating Cuban sugar, we first go to these countries that have over 3,000 and less than 10,000, and raise them to 10,000 tons.

That takes a very minor quantity of sugar.

Senator ANDERSON. Sure.

Mr. MYERS. There are five of them.

We next are required—

Senator ANDERSON. You might as well put in the record what the five are.

Mr. MYERS. The five are Haiti, Netherlands, Formosa, Costa Rica, and Panama.

We next must reallocate 15 percent of the remainder to the Republic of the Philippines.

Last, we must reallocate the remaining 85 percent to all other countries that have quotas in proportion to their quotas.

Senator ANDERSON. So if a country did not—

Mr. MYERS. Now, then, I get to the point that you are raising.

Last year, for example, and again the first quarter of this year, Peru did not have enough sugar to supply its entire formula quantity, and, therefore, we were able to reallocate that on a discretionary basis to other foreign countries and, may I say, since I think you are getting at the point of the domestic producers, there is no provision in the law for reallocating such sugar to the domestic areas.

Senator ANDERSON. Precisely.

Mr. MYERS. I beg pardon?

Senator ANDERSON. It can go to any other country in the world but America.

Mr. MYERS. That is provided in the act.

Senator ANDERSON. Do you think it is a good provision?

Mr. MYERS. It is not for me to characterize.

Senator ANDERSON. What does the State Department say about it?

There has been a lot said about Africa for the Africans. How do you feel about America for the Americans?

Mr. MARTIN. It seems to me, Senator, that you are drawing a distinction between a temporary arrangement, which this is, and a permanent arrangement.

As this stands, there is no limit on the amount of sugar which the Americans can grow. Their limit has been removed.

Senator ANDERSON. Yes. But there is a limit as to how much they can sell?

If you are a farmer would you be interested in growing material that you are barred from selling?

Mr. MARTIN. Are you barred from selling?

Mr. MYERS. Senator, last year there were no restrictions on marketing sugar as such from many of the domestic areas, because they had reallocated to them as a result of our increases and our total quotas and the deficits in other areas, they had a larger quota than they could fill. They had not prepared for it.

Senator ANDERSON. Now, Mr. Myers, you and I have worked together in the Department of Agriculture on the sugar question.

Mr. MYERS. And very happily. If you will come back, I will be happy again.

Senator ANDERSON. Will you state whether or not the farmer in normal years can go on and plant what he wants to with any assurance that he can sell it?

Mr. MYERS. Senator, there are two restrictions on marketing, and I wanted to get into both. There is, first, the marketing of the beet sugar. That we took off last year because they did not have the supplies to fill the requirements.

Now, secondly, is the acreage, and we have had acreage controls in effect on sugar beets since 1955 through 1960.

By the time this arrangement came along it was too late last summer to revise the beet acreage, and it would have been an idle gesture, so we did not go through the monkey business of taking off the restrictions last summer.

But, for 1961, there are no restrictions on the planting of beet acreage. There is this restriction, and this is, I know what is bothering you, your growers cannot find the market for additional beets because there are only two factories in southeastern Colorado, tributary to your State, that can take beets, and they are filled up. One factory, of course, went down in 1959 in the general area. So that New Mexico, Texas, southeastern Colorado, and Kansas, for all practical purposes, are loaded up. They have no place to go with additional beet acreage.

Senator ANDERSON. So it would do very little good to say that the growing is unrestricted if they cannot find a place to market.

Mr. MYERS. That is absolutely correct. They cannot find a beet factory to contract with.

Senator ANDERSON. Now, Senator Young testified that they can increase the beet acreage in the Red River area in his State to triple the present amount.

Mr. MYERS. After they construct new plants.

Senator ANDERSON. But there has to be a mill.

Mr. MYERS. They have to have additional factories.

Senator ANDERSON. And there won't be a mill as long as the foreign countries can take it all.

Mr. MYERS. Certainly, we can produce all of the sugar that we can market under present quotas with present factories, and more, too.

Senator ANDERSON. Now, the first surplus that comes in the 4- to 10,000-ton group consists of Haiti, Netherlands, Formosa, Costa Rica, and Panama. What happened with Brazil last year? Did Brazil have a surplus of sugar, and does it have one now?

Mr. MYERS. I think it did have a surplus last year.

Senator ANDERSON. You think it has one now, do you not?

Mr. MYERS. I think it does; yes, sir.

Senator ANDERSON. How much?

Mr. MYERS. Well, last year they notified us that they could supply us with 500,000 tons. They were insistent that they have a quota of not less than 300,000. They finally got 100,000.

Senator ANDERSON. Yes. And they have a million tons available, is that right?

Mr. MYERS. I believe they could if they knew they had a market for it.

Senator ANDERSON. Now, can the State Department tell me why it wants to do business only with Costa Rica, Panama, Formosa, the Netherlands, and Haiti and does not want to do business with Brazil?

Mr. MARTIN. We certainly have no objection to doing business with Brazil, Senator.

Senator ANDERSON. You said you wanted the law just as the House passed it.

Mr. MARTIN. But the law, as the House passed it, does not prevent us from doing business with Brazil. As Mr. Myers pointed out, we did buy 100,000 tons from them last year, and we assume we will be able to buy a substantial amount again this year of unallocated sugar.

Senator ANDERSON. But you bought a lot more than that from certain other areas that do not have the quota.

Mr. MARTIN. Yes.

Senator ANDERSON. You bought 200 and some thousand from Nicaragua or Mexico, which was that?

Mr. MYERS. Mexico. That was a formula country, incidentally.

Mr. MARTIN. That is a quota country.

Senator ANDERSON. Now, India has some sugar it would like to sell. Do you have any objection to doing business with India?

Mr. MARTIN. No.

Senator ANDERSON. The State Department policy is that it is all right to do business with India?

Mr. MARTIN. We are going to consider this very carefully; yes, sir.

Senator ANDERSON. But you want the law renewed just as the House passed it?

Mr. MARTIN. Yes, sir. That gives us, we think, adequate discretion to deal with the Indian situation.

Senator ANDERSON. Would the Indians think that gave them adequate discretion or shut them off from the market, shut them out of the market?

Mr. MARTIN. I do not know what they think. They have not had a decision yet, so they have not any basis for thinking.

Senator ANDERSON. They had a decision last year, did they not?

Mr. MARTIN. Yes. I do not think they came in as actively last year as this year.

Senator ANDERSON. How much did they get last year?

Mr. MYERS. None, Senator. We had no application from them last year. They have not been regular exporters, as you probably know.

Senator ANDERSON. Well, there are many countries which have not been regular exporters that have become that.

Mr. MYERS. Another point there, of course, is, to complete the record on this subject, we had to get sugar from places where we could get it in a hurry, and that, for the most part, was Central America, the Carribean area and Brazil, and this nearby area.

Mr. MARTIN. I want to point out, too, Mr. Senator, this year we will have more sugar to allocate to nonquota countries than last year if the legislation passed the House is enacted because we will have some Dominican sugar.

Senator ANDERSON. But the present act requires that all of the Cuban quota be purchased from other foreign countries, does it not?

Mr. MARTIN. Yes.

Senator ANDERSON. And it is that part that I am wondering about why you will want that done. Why wouldn't you let some of these areas like Senator Young was talking about, produce some sugar?

Mr. MARTIN. Well, I think that our problem here is that to do so would require, as has been pointed out—they need—it would require that they build mills. Nobody is going to build mills until we get a permanent allocation. Therefore, we need permanent legislation before this question can be resolved.

Senator ANDERSON. You are sure of that, are you not?

Mr. MARTIN. That is my understanding; yes, sir.

Senator ANDERSON. Last year a mill ran nearly all year-round and produced far more sugar than it produced before. Is there any reason why these mills cannot increase their capacity?

Mr. MARTIN. No, sir; and I do think there is anything in the legislation to prevent them from running all year-round if they wish.

Senator ANDERSON. No, because they have not a chance to sell their sugar; because you have to bring them from the foreign countries.

Mr. MARTIN. My understanding, as Mr. Myers has indicated, is that there will not be a limit on 1961 sugar as to acreage.

Senator ANDERSON. Do you think they are going to build a mill on the possibility that somebody will take it away from them in 1962?

Mr. MARTIN. No. That is the reason why I think permanent legislation can help.

Senator ANDERSON. Why do you want to carry it for 21 months, and then have another situation saying that there would be a session in August to pass on permanent legislation; and there would be another promise as soon as we got together and considered it again, and then we get a bill from the House 5 days before the deadline?

Mr. MARTIN. So far as we are concerned, we have no objection to the enactment of permanent legislation and having it put into effect as soon as enacted.

Senator ANDERSON. Do you have any objection to the enactment of short-term legislation that would require the writing of a new sugar bill?

Mr. MARTIN. I do not think this is a matter that involves foreign policy considerations. If the Congress wishes to do this, I think we will do our best to carry it out. We do feel it desirable to have some protection over the long-term future, median-term future, as to what our sugar is going to do, and where it is going to come from.

Senator ANDERSON. What do you regard as long-term, for how many years?

Mr. MARTIN. In this context I was thinking of 21 months as being a desirable arrangement.

Senator ANDERSON. But the sugar people may not regard that as a long-term future, if you wait for a sugar act for several years.

Mr. MARTIN. I think permanent legislation certainly has to have a longer period than that, a longer period.

Senator ANDERSON. Do you favor this legislation—is it all right to ask Mr. Myers the position of the Department of Agriculture?

The CHAIRMAN. Yes.

Senator ANDERSON. Does the Department of Agriculture favor this, as passed by the House?

Mr. MYERS. Yes, sir; Senator, for two reasons: No. 1, on April 1, sugar can come in here from anywhere, including Cuba.

Senator ANDERSON. Well, let us get away from the killing of the act and separate the two sections. Do you favor passing a 21-month act as against a 3-month extension?

Mr. MYERS. Well, Senator, a 3-month extension makes it almost impossible to operate. After all, some of our sugar is on the high seas for 6 weeks getting here.

Senator ANDERSON. I have been reading about that. How has it been getting along this month? You made a speech about that.

Mr. MYERS. We are getting along this month, very fortunately and very well, for one very good reason, and that is the sugar trade of this country has taken it upon itself to start sugar here from distant ports without waiting for this legislation. If they had waited for the legislation we would have had a catastrophe on our hands.

Senator ANDERSON. But it has done it and it can do it again, can it not?

Mr. MYERS. I could not say that it could not do it, but I would say that we are living very, very dangerously.

Senator ANDERSON. You would not say it could not be done, would you?

Mr. MYERS. I would not say that it cannot be done. But progressively as we go farther and farther afield for our sugar we have to have more and more lead time.

Senator ANDERSON. Did you make a speech to the Sugar Club of New York on Thursday, January 19 of this year?

Mr. MYERS. I certainly did.

Senator ANDERSON. In this did you say:

Great danger is involved in delaying too long extension of the Sugar Act. It requires anywhere from several days to several weeks of sailing time for sugar to reach our ports from points of origin. It requires additional days for loading. Frequently it requires an additional 2 weeks to secure ships. A delay until March 31, in amending the Sugar Act, therefore, could have serious consequences.

Mr. MYERS. I did.

Senator ANDERSON. All right.

Now, tell us of the serious consequences.

Mr. MYERS. Senator, I think the only reason why you do not have a serious consequence is that the trade, anticipating that the act is going to be extended, have gone ahead and arranged for sugar to come, and they have not waited for it.

Senator ANDERSON. What did you say in your speech last January that they were not to be serious consequences; all I read there was that there was going to be a serious consequence. Did you leave a loop-hole in that speech?

Mr. MYERS. I do not recall; I did not pull any punches. I was very serious, and I am very serious today.

Senator ANDERSON. Punches? What were the punches?

Mr. MYERS. Yes, sir; I was dead serious on this point, that if we do not have legislation in time to arrange for our sugar imports in an orderly fashion, we can get into trouble.

Senator ANDERSON. And it is your testimony, as head of the Sugar Division, that a 3-month extension would not be of any value?

Mr. MYERS. I would not say it would not be of any value. I just say it is difficult to run the sugar business on a 3-month basis. We are doing it this year, and it does get into difficulties. Some of these quotas are very small and some of the sugar is on the water a long time. That is all I can say.

Senator ANDERSON. Well, does that tend to help the areas that now have domestic quotas in this country and discriminate against the new growers, in your opinion?

Mr. MYERS. Senator, this legislation has not involved the shifting of foreign quotas to domestic areas and, let me say, that this whole quota fight is going to be the most difficult one this time that I think we have ever seen, because of the ambition to get quotas both by domestic areas and by foreign areas. It is going to be a major job overhauling that.

Senator ANDERSON. What happened to the growth factor domestically in the last 5 years? Will you give us the amount of sugar acreage in 1956, 5 years ago?

Mr. MYERS. I beg your pardon?

Senator ANDERSON. What was the amount of sugar acreage in 1956, 5 years ago?

Was it about 850,000 acres?

Mr. MYERS. That is correct; yes, sir.

Senator ANDERSON. Now, what is it this year?

Mr. MYERS. It is, well, unlimited this year.

Senator ANDERSON. What is the acreage going to be?

Mr. MYERS. Estimated to be just under 1,100,000.

Senator ANDERSON. 1,100,000?

Mr. MYERS. That is right.

Senator ANDERSON. So it has gone from 837,000 to 1.1 million in 5 years. How much is this new area, not just new neighborhood; how much moved down into Kansas and North Dakota and Senator Curtis, who wants 5,000 more acres in Nebraska, and so forth; how much of it moved?

Mr. MYERS. Senator, we do not try to differentiate between a new grower in Nebraska or North Dakota or New Mexico or anywhere else. A new grower is a new grower.

Senator ANDERSON. What have you done for new areas then?

Mr. MYERS. Senator, there has been nothing done for new areas as such for the very simple reason that the Sugar Act does not provide it.

The Sugar Act states, and I quote :

"In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugar beets and sugarcane marketed (or processed) within the proportionate share for the extraction of sugar or liquid sugar and the ability to produce such sugar beets or sugarcane."

There are other provisions, but those are the important ones.

Senator ANDERSON. Why don't you stop after "the Secretary shall, insofar as practicable, protect the interests of new producers"?

Mr. MYERS. New producers, that is correct.

Senator ANDERSON. That is what we are talking about.

Mr. MYERS. And we have required a minimum of from 1 to 2 percent cumulatively to go to new producers. In some cases, also part of that was used for small producers.

Senator ANDERSON. Are they neighbors of the present producers, or do you ever go into new areas?

Mr. MYERS. Well, they go on a percentage basis because of the provision I just read. It goes on a percentage basis into the areas on the basis of the production of the State.

Senator ANDERSON. Actually, Mr. Myers, haven't you sat there constantly trying to freeze the pattern to the men who have got it now, their neighbors and their friends?

Mr. MYERS. Senator, I am going to ask you to do me the kind favor—you have been kind enough to honor me with reading some of my talks, and I am going to ask you to read two others in which I touch on that.

Senator ANDERSON. I read two others, and then some.

Mr. MYERS. No, we have pointed out repeatedly that the new growers must be taken care of, and in a talk I gave or I was prepared to give—this bill stopped me from getting there—to the California Beet Growers Association—

Senator ANDERSON. San Francisco, Friday, January 20?

Mr. MYERS. Exactly.

Senator ANDERSON. Good.

Mr. MYERS. I went to the extent of pointing out there, I believe you will find it somewhere, that the old growers had to be prepared even to take a cut in order to give acreage to new growers if we are going to have these control programs.

Senator ANDERSON. Now name the grower that had his acreage cut; just "a," not "any," not "a thousand," just "any," "a."

Mr. MYERS. Well, Senator, we have been gradually increasing the acreage, and this past year, this year, we have no restriction. Obviously there has been no cutback this year. There was a cutback from 1955 to 1956.

Senator ANDERSON. You have gone from 837,000 acres to 1.1 million acres, and you have taken care to see that no new acreage goes into Texas, no new acreage goes into New Mexico, no new acreage goes into Kansas, into Nevada, into Arizona, and so forth.

Now is that a pattern, or is it not?

Mr. MYERS. Senator, please let me correct that.

You are mistaken. Those States, with the exception of Nevada, which had no basic acreage, have obtained the same percentage increase as other States. The point—

Senator ANDERSON. Well, Nevada has the same increase: 100 percent of zero is still zero.

We have had the same acreage. We have had 1 percent increase on a hundred acres. That is 101 acres.

Let me read you what some people got. Let me read you a little bit from the Farm Journal of April 1961.

When the Farm Journal told you last December that a 10 to 25 percent sugar beet acreage was in the cards for 1961, we weren't stretching it a bit—

and then they tell what Amalgamated got. It is up 18 percent, with the big bins coming in south central Idaho; American Crystal of Denver is up 17 percent; coming down to Montana, that company has contracted 52 percent more acreage.

Now you gave us 1 percent on 100 acres. You could not have spared us an acre of this 52 percent.

Mr. MYERS. Senator, if you can find a plant to process the beets—

Senator ANDERSON. You cannot find a plant because you will not allot any acreage. They do not dare come down there.

Mr. MYERS. Senator, the plain fact is that some of your plants have gone out that were tributary; you had no plants in New Mexico, as you know, and in the—

Senator ANDERSON. I do not know because I have seen one, but it is not there now.

Mr. MYERS. Well, I do not have a record of it, I am sorry. But in southern and southeastern Colorado and southwestern Kansas, plants have been going out.

In 1959 a plant went out at Swink; in 1956 the plant went out in Garden City.

Senator ANDERSON. Why did it go out in Garden City?

Mr. MYERS. It went out in Garden City apparently because it had difficulty in getting acreage in competition with other crops.

They had some difficulty with pests over the years, and farmers apparently found it more profitable to grow other crops.

Senator ANDERSON. Now the Grand Island, Nebr., plant is up 39 percent of American Crystal.

Mr. MYERS. It has been operating at a very, very low rate of capacity for the last several years and, therefore, it was able to step out this year and take acreage.

Senator, please don't get me in a position where I seem to be arguing that I do not like your folks to have acreage, because that just is not so. All I am trying to explain is the physical fact that the plants are not there to process additional acreage.

Senator ANDERSON. Of course, the farmers out there think handsome is as handsome does. They see southern Minnesota of American Crystal up 58 percent. Could you spare a little of that acreage for Congressman Rogers of Texas over there?

Mr. MYERS. Senator, I have no interest in whether it is grown in Texas or in Minnesota or elsewhere. Again you have a plant that has not operated at anything like capacity for a number of years.

Senator ANDERSON. The mills tell our farmers they will be glad to contract with them if they will get a guarantee of so much acreage, but they cannot get any guarantee of any kind or description.

Instead of that, it goes up into southern Minnesota with a 58-percent increase.

Mr. MYERS. Well, Senator, all I can say is I have heard quotations from these plants on both sides of the fence. The representatives of the companies are here. They can testify. I do not know whether the plants—the companies—will put up additional plants there or not.

Obviously you cannot build a plant on the spur of the moment. It takes time; it takes planning.

Senator ANDERSON. Is that why you want to lock it up for 21 months so that they cannot plan?

Mr. MYERS. Senator, if you can get a sugar act, a permanent sugar act, passed in 15 minutes from now, there would not be anything that would make me happier.

Senator ANDERSON. Well, you sat with the Secretary of Agriculture's office when one was gotten up in 1948, and it was not done in 15 minutes, so both you and I understand how absurd that would be.

But is there any reason why it cannot be done in 15 years? You understand, for example, this reason for the 4 to 10,000-acre limitation in the act, don't you?

Mr. MYERS. Four to 10,000?

Senator ANDERSON. Yes. People who have quotas from 4 to 10,000.

Mr. MYERS. You mean that little 10,000 tons?

Senator ANDERSON. Was that designed to defeat somebody with 200,000 tons?

Mr. MYERS. No. None of those little minor countries could utilize that much anyway.

Senator ANDERSON. Have they stayed minor countries in the production of sugar?

Mr. MYERS. Those little countries are still little, yes.

Senator ANDERSON. They are?

Mr. MYERS. Costa Rica, Panama have gone up some, but they are still minor. They are not up.

Senator ANDERSON. So one of them got 26,000 tons. That is not too small, is it?

Mr. MYERS. Haiti, it is true, Haiti, got more; and it may well be that some of the little Central American countries will get more, but they will not be up in the 200,000 tons.

Senator ANDERSON. Mr. Martin, my only concern is that the State Department wants this done for 21 months again to freeze this same pattern again, which the existing mills wants frozen, and I do not see why the State Department is concerned as long as you have trade with these other countries.

Mr. MARTIN. Mr. Senator, we do not want to freeze it for 21 months for this reason: We want a 21-month extension because we feel it is desirable to have an arrangement which would last that long in case we do not get new legislation this year.

We do not object to getting new legislation, and to work hard for it. We think it is going to be, as Mr. Myers has said, a very difficult problem. We have foreign interests and domestic interests in controversy, and we will be glad to cooperate with the Congress in work-

ing on new legislation just as soon as the Congress wishes to start with it.

Senator ANDERSON. But is not your testimony in favor of the foreign interests and against the domestic interests?

Mr. MARTIN. I do not think it is in favor of the foreign interests and against the domestic. I think they both have arguments on their behalf which have to be taken into account.

I would point out that we do have a real problem in finding markets for things which can be made in many of the less-developed countries of the world to which we are trying to give assistance.

We want them to be able to pay back loans we have made them. We want them to be able to support themselves at some early date, and it is difficult to find things that they can economically produce and sell in the markets of the world.

Sugar is one of the things that they can produce more efficiently than most other people and, on the whole, more efficiently as has been pointed out, than American growers.

This does not mean we want to upset the 45-55 adversely to American growers, but we do think it is a major policy decision to move the other way.

Senator ANDERSON. What nation is the largest producer of sugar?

Mr. MARTIN. I suppose—

Senator ANDERSON. Russia, of course.

Mr. MYERS. Russia at the present time

Mr. MARTIN. Yes, sir.

Senator ANDERSON. I did not think it was these Central American countries. We have to develop some of these other markets.

Mr. MARTIN. But they are the people we are buying sugar from. We are not buying it from Russia, and I hope we will never do so.

Senator ANDERSON. Why, if it is so advantageous to keep bringing in and to find a basis of trade?

Mr. MARTIN. I was suggesting that we were trying to find a basis for trade with countries we were giving assistance to, and whose economy we think, from a security standpoint it is important to build up.

Senator ANDERSON. Is not Brazil a country with whom we would like to have good relationships?

Mr. MARTIN. It certainly is.

Senator ANDERSON. Isn't Brazil's sugar production increased some 3 million tons recently, they would like to sell some. Yet we do not amend the law any to give them a chance to. We do not for India, and we have a half million tons.

Mr. MARTIN. I think that this raises some very difficult problems. We have said to India and we have said to Brazil and these other countries, that:

At the moment we are temporarily in the market for additional sugar outside the quota. This is a temporary situation which cannot be expected to continue indefinitely, but pending the enactment of permanent legislation. We have a special Cuban problem. You should not increase any additional sugar capacity by a penny in reliance on the U.S. sugar market.

I think that is the only right position we can take at this moment.

Now, when we get to revising the Sugar Act on a permanent basis, we certainly will want to consider Brazil and India, the Brazilian and the Indian claims. But I think it would be a difficult thing to decide

now in the light of the various issues from other countries and from domestic growers that permanent legislation is going to solve the Brazilian or Indian desire for a long-term market in the United States; and under the present arrangements for this year, 1961, we think we will have substantial sugar which we cannot buy from quota countries, which we can buy from Brazil and India.

Senator ANDERSON. But you do not want to give them any rights in the market.

Mr. MARTIN. I do not think we want to without the most careful consideration.

Now, if we should enact permanent legislation which would do so prior to the end of this calendar year, that certainly will be all right with us.

Senator ANDERSON. Well, you have been able to get by with extensions, right along, on a short-term basis. Why wouldn't a short extension be desirable now and give a chance to some people in the consideration of a long-term program? Don't you feel that the regulations that are written into this law were written at a time when we never anticipated that anybody other than Cuba would be our biggest producer, and might be revised in the light of what has happened in the world?

Mr. MARTIN. I think they must be revised in due course.

Senator ANDERSON. Why do we set it for 21 months?

Mr. MARTIN. I think the problems are those which have been stated by Mr. Myers in operating our program.

Senator ANDERSON. Mr. Myers knows we can go ahead perfectly with a 6-month, 9-month, and I think, with a 3-month extension. I have not had his experience in sugar, but I have had a little of it.

I bought two Cuban sugar crops of over \$900 million.

Mr. MARTIN. I will not deny that we cannot live with it. I think I have indicated we would do what the Congress chooses to do. But we feel it would be a more comfortable situation with a 21-month extension.

Senator DOUGLAS. Mr. Chairman?

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. I would like to ask, what is the price which the United States now pays for raw sugar which it imports from abroad?

Mr. MYERS. Senator, the market was quoted on the 24th at \$6.25 a hundred pounds, duty-paid—

Senator DOUGLAS. Just a minute. Is that raw sugar?

Mr. MYERS. That is raw sugar.

Senator DOUGLAS. Does it include the processing tax?

Mr. MYERS. No; it does not.

Senator DOUGLAS. So it is raw sugar which has not paid the processing tax.

Mr. MYERS. That is correct.

Senator DOUGLAS. Has it paid the tariff?

Mr. MYERS. Yes.

Senator DOUGLAS. So, to deduct the tariff, what would it be, \$5.75?

Mr. MYERS. It would be \$5.75 on the basis of the Cuban tariff of 50 cents a hundred pounds. It would be \$5.625 cents for other foreign countries, which have a duty of 62.5 cents.

Senator DOUGLAS. Let us say then that it is 0.57 cents a pound or \$5.75 per hundred pounds.

Now, then, what is the price of sugar on the so-called free world market?

Mr. MYERS. On the same date, it was \$3.02 per hundred pounds.

Senator DOUGLAS. So there is a difference; that is, we pay 2.5 cents a pound more for imported sugar than this sugar sells for on the free world market?

Mr. MYERS. A gross difference of \$2.60. However, in fairness, one would have to recognize the ocean shipping costs of perhaps 30 cents a hundred pounds, which would bring it down to, say, \$2.30 a hundred.

Senator DOUGLAS. 2.3 cents per pound?

Mr. MYERS. That is correct.

Senator DOUGLAS. That comes to \$46 a ton?

Mr. MYERS. That is correct.

Senator DOUGLAS. Now, this enables the price of sugar grown domestically to rise by this, to this degree?

Mr. MYERS. That is correct.

Senator DOUGLAS. And we have consumed each year approximately 10 million tons of sugar?

Mr. MYERS. Our consumption was not that much. Our overall quota potential is that much. We have actually used probably this year something like 9 million, and 9,600,000.

Senator DOUGLAS. I am using approximate figures.

Mr. MYERS. For rough figures, all right.

Senator DOUGLAS. Approximately 10 million.

So the consumers pay 10 million times \$46 a ton, or \$460 million more than they would pay if they were able to get the sugar at the free world price; is that true?

Mr. MYERS. Yes, with just one qualification, and that is that if we were to throw our demand suddenly onto the world market, of course, we would cause a terrific shortage.

Senator DOUGLAS. Yes. But just a minute.

Mr. MYERS. I beg pardon.

Senator DOUGLAS. Go ahead.

Mr. MYERS. Over a period of years it is uncertain where the world price would go.

Senator DOUGLAS. Now, two questions: Is it not true there is a big surplus of sugar on the world market at the present time?

Mr. MYERS. There happens to be this year.

In 1958, there was a shortage on the world market.

Senator DOUGLAS. But the publication, "Special Study on Sugar" which, I presume, you had something to do with, states that the carry-over at the end of 1958-59 was more than 4.7 million tons. That is on page 27; and on the same page it states that this surplus increased slightly in 1959-60 and was expected to increase sharply in 1960-61. So would not this produce a surplus probably of, not far from 6 million tons?

Mr. MYERS. Yes, Senator. But keep in mind, that is on the basis of about 60 million tons of sugar produced and consumed in the world.

Senator DOUGLAS. I understand. But is it not true that you estimate the production of sugar in the world for the current year of 1960-61 at approximately 58 million tons?

Mr. MYERS. I believe that is correct.

Senator DOUGLAS. And consumption at 53.5 million tons?

Mr. MYERS. That sounds like——

Senator DOUGLAS. That leaves a surplus of 4.5 million tons for this year alone, and if you add that to the previous surplus, that comes to well over 9 million tons surplus existing at the present time; is that true?

Mr. MYERS. We are most fortunate, Senator, that at the time when we were having these Cuban supplies cut off, that we have hit a period of ample world crops. We could have been in a bad situation.

Senator DOUGLAS. I understand. What I am trying to get at is the subsidy which the domestic consumers of sugar pay to the producers of sugar, both domestic and foreign, and it would seem to come not far from the difference between the world price and the American price which, as you say, comes to about two and a third cents a pound, or around \$46 a ton, or in the aggregate to somewhere around \$460 million; is that not right?

Mr. MYERS. That makes sense; yes.

Senator DOUGLAS. Did you answer the question?

Mr. MYERS. That is correct; yes.

Senator DOUGLAS. Yes.

Now, in addition to that, there is an excise or processing tax of one-half cent per pound on sugar, both domestic and imported?

Mr. MYERS. That is correct.

Senator DOUGLAS. Which comes to \$10——

Mr. MYERS. A ton.

Senator DOUGLAS. A ton on 10 million tons, which comes to another \$100 million; is that not true?

Mr. MYERS. That is correct.

Senator DOUGLAS. And there is a tariff, as you say, 50 cents on Philippine sugar, if we had any Cuban sugar——

Mr. MYERS. On Cuban sugar, 50 cents a hundred on Cuban sugar.

Senator DOUGLAS. Yes.

Mr. MYERS. On full duty sugar, it is 62.5, and on Philippines, it is about 5 cents.

Senator DOUGLAS. And Philippines?

Mr. MYERS. Five cents a hundred at the present time.

Senator DOUGLAS. I see.

Now, what is the average?

Mr. MYERS. Well, we usually use the Cuban duty, in round numbers, \$10 a ton.

Senator DOUGLAS. Now, then, on the 4.5 million tons that are imported, this comes to another \$45 million; wouldn't that be true?

Mr. MYERS. That would be correct.

Senator DOUGLAS. But this enables the domestic price to rise?

Mr. MYERS. Yes.

Senator DOUGLAS. So this comes to another subsidy of \$100 million?

Mr. MYERS. That is right.

Senator DOUGLAS. So in all, the consumers pay a subsidy of \$600 million to domestic and foreign producers.

Mr. MYERS. Yes.

Senator DOUGLAS. Or 3.2 cents a pound.

Mr. MYERS. The only qualification on that being what would happen in a world crisis.

Senator DOUGLAS. I understand.

Mr. MYERS. Yes.

Senator DOUGLAS. Or 3.2 cents a pound.

Mr. MYERS. That is right.

Senator DOUGLAS. And the domestic price which the housewife pays is about 12 cents a pound?

Mr. MYERS. At retail, that is a little on the high side.

Senator DOUGLAS. Around 12 cents a pound.

Mr. MYERS. That is not too far from that.

Senator DOUGLAS. So that about a quarter of her price goes as a subsidy. On the sugar sold at wholesale in carload lots, the average price there is about 9 $\frac{1}{4}$ cents?

Mr. MYERS. That is correct.

Senator DOUGLAS. So that about a third of that price goes as a subsidy?

Mr. MYERS. Yes.

Senator DOUGLAS. And this tends to be passed on to the producers of candy and cakes and soft drinks, and so forth, so that the consumer ultimately pays?

Mr. MYERS. Well, it is hard to say. Some American citizen must pay it. About two-thirds of our sugar reaches the consumer in the form of sugar containing products such as soft drinks and the like, and it is hard to say to what extent a small change would be passed on.

Senator DOUGLAS. Taking our total consumption of sugar, the average American consumes just a little short of 100 pounds a year.

Mr. MYERS. Of refined value; that is correct.

Senator DOUGLAS. So with 3.2 cents a pound, that is about \$3.20 or let us say \$3 per person of a subsidy.

Mr. MYERS. Per person.

Senator DOUGLAS. And for a family of four, about \$12 a year.

Mr. MYERS. If this is all passed on. As I say, a large part of it may be absorbed by the manufacturer.

Senator DOUGLAS. Mr. Chairman, I think it is very important that we should consider the price which the American consumer pays for the sugar.

Now, there is another question I would like to ask. We formerly were importing from Cuba approximately 3 million tons a year, or two-thirds of the foreign—

Mr. MYERS. That is correct. There were about 3 $\frac{1}{4}$ million tons.

Senator DOUGLAS. May I ask this question: If we reallocate this amount of 3 million tons either to foreign producers, as the Department of State advocated, or to domestic producers, as some of my colleagues seem to wish to do, for the next 2 years, will you not build up a series of vested interests which will not want to let go when we come to the enactment of a permanent sugar bill?

Mr. MYERS. That is a great possibility.

Senator DOUGLAS. Isn't it a probability?

Mr. MYERS. In that speech that Senator Anderson was kind enough to quote from I called attention to that problem.

Senator DOUGLAS. Isn't it probable?

Mr. MYERS. I think so.

Senator DOUGLAS. I think our Government acted correctly in cutting off the importation of sugar from Cuba because of the provocative acts of the Cuban Government under Castro.

But we all hope that some time there would be a Cuban Government that would reverse its policy and pursue a policy of friendship to the United States. What that happens we do not want to see the Cubans penalized or the new government penalized by the fact that this consumption has been diverted either to other countries or domestic producers; isn't that true?

Mr. MYERS. I think that is true, and I am sure Senator Anderson would agree with me that during the wartime, the postwar period, until this present Castro government came in, we got excellent cooperation from the Cuban Government and the Cuban industry.

Senator DOUGLAS. Let me ask you this question: If the Cubans know their 3 million tons have been reallocated either to foreign producers or to domestic producers, and will know that naturally these people once planting acreage and building mills will not want to let go, won't this diminish the incentive which the Cubans will otherwise have to change their government. Won't they feel that they have been shut out more or less permanently from the American market, and that even if they do change their government they will not be able to export much sugar to us?

Mr. MYERS. Well, Senator, on that score I would just like to say this: That I think it is with great wisdom that the Senate and the Congress last summer used different language to—on the reallocation of the sugar to—emphasize it was temporary.

I listened with great interest to the emphasis that Mr. Martin put on it a moment ago. I think these hearings are putting emphasis on it, and are of great value to try to stop the building up of vested interests.

Senator DOUGLAS. But, as Senator Anderson has pointed out, we extended this for 6 months, and now we extend it for 21 months. You are extending it over 2 years, and are you not going to inevitably during that period of time, which is at least 2 and possibly 3 years, 3 growing years, are you not going to build up a series of vested interests which will want to hold onto the market and which, in effect, will tend to prevent Cuba from getting back into the market if she wants to behave herself?

Mr. MANN. Senator, I would like to say in response to that that the aspiration of Latin America, which is the area that I know best, for a greater share in the U.S. sugar market antedates the Castro problem, antedates the Castro problems.

This has been, as the Senator knows, a controversial subject for as many years as I have been around the State Department, and I simply point out that the aspiration is not only there, but it has been there for some time.

We do recognize that to the extent that we temporarily, and we hope it is temporary, deprive Cuba of its quota, there may be in the minds of some people the hope that this is a permanent market. But we hope to, we intend to, set the record clear in writing—we have already done so orally, as we have done this morning—in diplomatic notes pointing out that this is not a permanent arrangement, and until

Congress, in its wisdom, has amended the Sugar Act, that this has to be provisional and very temporary, and I do not want to say that the aspiration that this will cure the problem exists, but I do not think we are going to be in a substantially worse condition a year from now than we are today.

Senator DOUGLAS. Now, may I try out a possibility upon you gentlemen and see what you think of it.

Suppose instead of reallocating this 3 million tons of sugar, Cuban sugar, either to other foreign countries or to domestic industry at the subsidized price, we buy it on the open market, the open world market, not from Cuba, not from Russia, but on the open world market, and pay for it the world price of 3.2 cents, plus any increase that would occur.

This would save at least around 2 cents or \$40 a ton, and on the 3 million tons which would thus be imported, levy a tax equivalent to the difference in price, and thus net the Treasury \$120 million. This would not disturb the domestic situation too much, not disturb the domestic producers, not disturb existing foreign producers, but would transform the subsidy which the consumers pay on the 3 million tons into revenue for the Government. Wouldn't that be the healthier proposal than the one which we now have?

Mr. MANN. Senator, if we bought the Cuban sugar at the world price, this would mean—

Senator DOUGLAS. It is not Cuban sugar that I am proposing.

Mr. MANN. It is sugar taken away from Cuba.

Senator DOUGLAS. Yes, that is correct.

Mr. MANN. If we bought it at the world price the sugar which normally under the act would have been bought from Cuba, it would mean that we were paying some countries the world price and some other countries the U.S. price.

Senator DOUGLAS. But we would be doing it impersonally through the market. You know, one of the things that I resent in the performance of Castro was that he criticized the United States for paying Cuba 2½ cents above the world price, and then praised Russia for paying him slightly less than the world price. This is what I resented very much.

I do not see how anyone could object if we paid the market price, because the market price is independently determined.

Didn't you do that, precisely that, with the Dominican Republic last summer?

Mr. MANN. We did. But this was on a discriminatory basis because the sugar has to be bought, especially if you wanted to avoid transshipment of Cuban sugar, you have to buy this under the quota arrangement in the law, I believe, from particular countries, and you would, Senator, be paying the country two different prices for sugar, substantially different prices. You would be paying Mexico, which is a regular quota country, a very high price, and Brazil, which is not a quota country, a low price.

Senator DOUGLAS. But is it necessary that these countries should be paid above the world price on everything that they should send to the United States—even if this is in excess of what they previously had been sending to us? Would it not be sufficient if we paid them the subsidized price on the quotas which they formerly sent to us, but on the added quantities, we paid the world price?

Mr. MANN. Well, I am sure, Senator, that in the case of some of the Latin American countries, that they would believe and state that they were entitled to equal treatment in terms of the price which they received for their sugar.

Senator TALMADGE. Will the Senator yield at that point?

Senator DOUGLAS. Yes.

Senator TALMADGE. Why is it necessary to pay the subsidy for any foreign sugar produced, that is, sugar not produced in the United States or its territories? Why do we give a foreign producer of sugar the same protection that we do a domestic producer of sugar? I would like the State Department's views on that, and Mr. Myer's views.

Mr. MANN. Well, I was not here, Senator, at the time the sugar act was passed in 1948, I believe Senator Anderson said, but I presume that the history of fluctuations on the price of sugar prior to that date caused Congress to decide that in order to have price stability in this country that the system, the quota system, and the price system set out in the act was the best way to achieve it, and certainly it has worked well insofar as stability in the industry is concerned. It must have been one of the major objectives, but I am not the expert on it.

Senator TALMADGE. Mr. Chairman, may I have Mr. Myer's comment on that just before we leave that issue?

I would like your comments on the same question I asked the State Department, to wit: Why should we pay a subsidy for foreign sugar production, that is, the same subsidy we pay the domestic producers?

Mr. MYERS. Senator Talmadge, that goes back to the 1930's actually, when there was a feeling—

Senator ANDERSON. It goes back to what?

Mr. MYERS. The 1930's.

Senator BENNETT. May we have Mr. Myers in front of the microphone?

Mr. MYERS. This procedure of paying foreign countries a premium for their sugar started back in the 1930's.

Following the tariff act of 1930, which some people felt had a good deal to do with the depression, the economic depression in foreign countries, there was a very sharp drop in our imports of Cuban sugar.

That drop came from a peak of over 4 million tons in the early 1920's down to a million and a half tons, as I recall, in 1933.

The world price fell to a low of a half cent a pound, for several years it was less than a cent a pound, and it was the feeling on the part of the American Government, enunciated very clearly by the then Chairman of the Tariff Commission, that it was unwise for the United States to solve its problem of the domestic sugar producer by further tariff increases, and therefore they devised this quota system that would, one, put restrictions on our domestic producers, because by expanding production, of course, they had cut down on imports; and, two, it would give some of the benefits to our foreign suppliers, which was then substantially Cuba. The Philippines, at that time, of course, was part of the United States.

So the quota system was devised, and the quota premium paid to the Cuban producers as well as to domestic producers.

That continued up to the war when, of course, the U.S. Government took over the entire sugar supply problem.

Senator Anderson handled that one, and can testify in more detail that I can on it, and in the post-war period we went back again to the same procedure that we have had in the past, but with fixed quotas in 1948.

You will recall, Senator Anderson, in the 1948 act, the act that you revised, we would let Cuba off of this wartime plateau we had built them up to by giving them in the early days 95 percent of the Philippine deficit, and then substantially all of the growth in production, with fixed domestic quotas until such time as Cuba would have a market that would let them run along on a level.

I would say, Senator Talmadge, that Cuba did a marvelous job of standing along with us in coordinating her sugar supply problem with our requirements.

When the Korean fighting broke out in 1950 the world sugar market took off into the sky. Cuba sold us not only its full quota supply, but an additional 600,000 tons at a price below the market at the time I had to negotiate it afterward, and again in 1957 and 1958 when the price, when the world market price rose up, they again filled their quotas, filled the quotas on the U.S. market at less than the world market.

Since Mr. Castro has come in, we obviously have had no cooperation.

Senator TALMADGE. Would you supply for the record at that point a statement showing the imports of sugar that we have had since the adoption of this quota system, the price we paid for it, and the equivalent world price at that time, and what I want to ascertain is whether or not we are getting a bargain in subsidizing the foreign producers.

Mr. MYERS. I shall be glad to put that in the record.

Let me say this, the record, when it is supplied, is going to show that Cuba got paid over the years very handsomely for what they supplied us. But they did cooperate with us, and let me also point out, Senator, to complete my statement, the 1948 act put fixed quotas on the domestic areas, in the amendments enacted in the House in 1955, but in the Senate in 1956, the domestic areas collectively were able to supply 55 percent of the increase in our domestic requirements.

(The information referred to follows:)

Selected data concerning sugar imports, prices, and price premium in the U.S. market

Calendar year ¹	Cuba	Other foreign countries	Philippines ²	Total	U.S. price, cost, insurance and freight basis, New York	Freight and insurance, Cuba to New York	Indicated price for shipment from Cuba to—		Difference, U.S. price from world price		Premium to Cuba
							United States	World market	Cents per pound	Dollars per ton	
	1,000 tons				Cents per pound						Million dollars
1934.....	1,886	30	1,088	2,984	1.50	0.13	1.37	0.91	+0.46	+9.20	17.2
1935.....	1,830	11	917	2,758	2.33	.12	2.21	.88	+1.33	+26.60	48.7
1936.....	2,102	29	985	3,116	2.69	.13	2.56	.88	+1.68	+33.60	70.6
1937.....	2,155	89	991	3,235	2.54	.19	2.35	1.13	+1.22	+24.40	52.6
1938.....	1,941	75	981	2,997	2.04	.14	1.90	1.00	+1.90	+18.00	34.9
1939.....	1,930	62	980	2,972	1.91	.17	1.74	1.43	+1.31	+6.20	12.0
1940.....	1,750	17	981	2,748	1.89	.22	1.67	1.11	+1.56	+11.20	19.6
1941.....	2,700	190	855	3,745	2.48	.39	2.09	1.46	+1.63	+12.60	34.0
1942.....	1,796	30	23	1,858	2.99	.51	2.48	2.69	-.21	-4.20	-7.5
1943.....	2,857	114	0	2,971	2.99	.53	2.46	2.69	-.23	-4.60	-13.1
1944.....	3,618	106	0	3,724	2.99	.40	2.59	2.69	-.10	-2.00	-7.2
1945.....	2,803	87	0	2,890	3.00	.35	2.65	3.14	-.49	-9.80	-27.5
1946.....	2,282	46	0	2,328	3.86	.44	3.42	4.24	-.82	-16.40	-37.4
1947.....	3,943	45	0	3,988	5.46	.49	4.97	5.03	-.06	-1.20	-4.7
1948.....	2,927	62	252	3,241	5.04	.40	4.64	4.23	+1.41	+8.20	24.0
1949.....	3,103	52	525	3,680	5.31	.37	4.94	4.16	+1.78	+15.60	48.4
1950.....	3,264	61	474	3,799	5.43	.34	5.09	4.98	+1.11	+2.20	7.2
1951.....	2,946	13	706	3,665	5.56	.49	5.07	5.67	-.60	-12.00	-35.4
1952.....	2,960	51	860	3,891	5.76	.41	5.35	4.17	+1.18	+23.60	70.3
1953.....	2,760	111	932	3,803	5.79	.36	5.43	3.41	+2.02	+40.40	111.5
1954.....	2,718	113	974	3,805	5.59	.38	5.21	3.26	+1.95	+39.00	106.0
1955.....	2,862	118	977	3,957	5.45	.45	5.00	3.24	+1.76	+35.20	100.7
1956.....	3,089	126	982	4,197	5.59	.49	5.10	3.48	+1.62	+32.40	100.1
1957.....	3,127	217	906	4,250	5.74	.43	5.31	5.16	+1.14	+2.80	8.8
1958.....	3,438	279	980	4,697	5.77	.36	5.41	3.50	+1.91	+38.20	131.3
1959.....	3,215	279	980	4,474	5.74	.39	5.35	2.97	+2.38	+47.60	153.0
1960.....	2,394	1,430	1,155	4,979	5.80	.45	5.35	3.14	+2.21	+44.20	105.8
27-year total.....	72,396										1,123.9

SUGAR

¹ Quotas were not in effect Sept. 11 1939, to Dec. 26, 1939, and Apr. 12, 1942, to Dec. 31, 1947.

² Domestic area through 1946.

³ Price on record U.S. refiners (plus 0.75 cents duty) by Commodity Credit Corporation.

⁴ Cuban sugar not imported after July; premium would have been \$58 million higher if importation had been continued.

Senator CURTIS. Mr. Chairman, would Senator Talmadge yield right there?

Senator ANDERSON. I want to just supplement the statement because in the words of the Sugar Act of 1948, which were done in the office where I spent a little time, and it was not purely the question, I do not think, of going into a lot of fancy figures—actually nearly all the quota went to a small group. They were the domestic cane and domestic beet producers of the United States.

This was the bible that we used at that time, you may remember.

The blue—this is not tonnage, this is a relative percentage of the market—the blue represents Cuba; the white represents U.S. cane. You will see how U.S. cane is almost squeezed out during the war years because we had to ask the American producer of cane patriotically to switch to something else, and he did, one of the reasons why we had Public Law 12, was it not, Senator Ellender, the one that Steve Pace put in about guaranteeing prices for wartime, was that we had to give time for these producers who had been squeezed out here in the white sections to shift back to other crops. But we depended very heavily upon the Cuban production.

We did it again in this period where again Cuba comes in with it.

The red represents U.S. beet, and that sort of regularly grows.

The yellow was Hawaii, and that comes down there at times and then spreads out again.

The green is Puerto Rico, and it becomes an important area.

The Philippines were terminated, of course, in the period of the war, and then we developed these other areas which came into it, and frankly, the other areas were not regarded as extremely important.

We were concerned with Cuba, which was our next-door neighbor, and which bought in flour and various other commodities almost an equivalent of all it sold us in the way of sugar. This was an even trade arrangement.

If Cuba had wanted to get a lower price for its sugar, we would have given it the same dump price on grains we do with other countries. But this was a straight trade across the board, and they sold us so much sugar and we sold them so much flour and various other commodities.

But the areas for Cuban, United States cane, United States beet, Hawaii, Puerto Rico, and the Philippines are here. But these were all areas under the American flag or close to the American flag.

Cuba had been very close to us for a long, long time, and we regarded it as a sort of bastion, and I think one of the reasons why no greater worry was expressed as to the fact that they got the same subsidy price was that the other areas were very minor, almost miniscule, and we paid no great attention to them.

Now, when you get to an area like Mexico which had a quota of 115,000 tons, but picked up 284,000 other tons last year, or the Dominican Republic which had a quota of 130,000 tons and picked up 321,000 other tons, they became very important areas, and it was not in the contemplation of the people who wrote the act in 1948, and what I have been trying to say is, I think we ought to take time enough now to take a look at what was done in 1948 and rectify some of the things we did then, depending upon Cuba to be the principal source of our sugar supply. That has changed.

That may change the whole subsidy picture now, Senator Talmadge, because the same considerations are no longer there.

Now, the cane people, and I see two representatives here from that area, have never been under great distress, so far as we are concerned; they have sometimes used their full acreage, not always used their full acreage, and whenever America got into a war difficulty, they quickly changed and planted the types of crops that America needed to take care of the food.

I say that in compliment to the cane areas. They are not in great distress now. I do not mind an expansion, and I am happy to see an extension in the cane areas. I do not want to freeze this pattern with other countries and have trouble at a later date and leave our friends, who are our friends such as India and Brazil and all the individuals who happen to run the steamship lines up to this country.

Senator DOUGLAS. Would you forgive me for just a minute, Senator Curtis?

Senator CURTIS. Yes.

Senator DOUGLAS. Is it not true that the basic Sugar Act, the Jones-Costigan Act of 1934, stated that not only were the interests of producers to be taken into account, but the interests of consumers as well?

Mr. MYERS. That is correct, and that still continues to be the fact, Senator.

Senator DOUGLAS. Well, it continues in the law.

Mr. MYERS. It continues in the law.

Senator DOUGLAS. Now, let me ask you, do you think it continues in the observance? Notice what happens: The price of sugar is increased by the amount of the difference between the price which United States pays domestically and the free world price. This results in, as you say, to about 2.3 cents per pound; it is increased by the amount of the tariff, which amounts to about half a cent a pound; it is increased by the amount of the excise or processing tax, which amounts to half a cent a pound, and then the producers, as the Senator from Arkansas brought out, get production payments amounting to about \$75 million a year which, I suppose, can be said comes from the excise tax on the tariffs.

But if my figures are correct, consumers are paying about \$660 million a year more than they would in a competitive situation, or 3.2 cents a pound.

Now, if we did not have this situation, housewives would only have to pay a little less than 9 cents when they went to the market, 45 cents instead of 60 cents for a 5-pound bag.

The soft drink manufacturers, the cheap candy manufacturers, and the rest, would pay only 6 cents instead of 9.2 cents a pound. So that we have to consider not only the housewife but the industrial users of sugar as well.

How does the consumer receive protection and how is the consumer protected in any fashion under this bill as it works out in practice? As a matter of fact, is he not compelled to pay through the nose for at least three, and possibly all four, of these measures, namely the quota premium, the tariff, the excise tax and, possibly, producer payments, in addition?

Mr. MYERS. Well, Senator, of course, there are two factors. The world price has gone down. Our domestic price has been relatively stable. It has gone up slightly not steeply.

In the Sugar Act, section 201, in case you would like a reference, in there are set forth the conditions for determining supplies for the United States, and that provision states, in part, as follows:

The Secretary of Agriculture—

in making these determinations—

shall take into consideration the relationship between the prices at wholesale for refined sugar that would result from such determination, and the general cost of living in the United States as compared with the relationship between prices at wholesale for refined sugar and the general cost of living in the United States obtaining during 1947-49 as indicated by the Consumer's Price Index.

That originally said instead of 1947-49, it said, "During the period of price control in 1947."

We never achieved that high a level of prices, and so in the amendments finally enacted in 1956, this language was written into the bill, 1947-49 as a base. In order to drop that index of requirement to about half the distance between what it previously had been and what we had achieved, and I might say that today, if memory serves me correctly, and I hope I will be permitted to correct the record if my memory is wrong, I think it would require a wholesale price of 10.2 cents a pound instead of 9.35 New York basis that we have today.

Senator DOUGLAS. Well, Mr. Chairman, all I wanted to bring out with my questioning was first, the fact that the consumers, both individual and industrial, pay through the nose for the Sugar Act, and I think their interests should be taken into account.

But I do not think I got an answer to my question as to what would happen if the premium on the redistributed Cuban quota went into the Treasury instead of to the foreign or domestic producers now getting or who would get the 2.3 cents a pound.

This comes to around \$46 a ton and, on the 3 million tons of Cuban quota of \$120 million a year.

Now, I personally would like to see that reflected in a lower price to consumers. But this issue is so complicated that it would be hard to do, but could not the consumers, as taxpayers be helped by having this revenue of \$120 million or more go to them rather than to the people who will be called in to fill the former Cuban quota and who will build up vested interests which will make it very difficult for us to get a friendly Cuban Government in the future?

I would like to get an answer on that.

Mr. MARTIN. Might I make a comment on that?

Senator ANDERSON. I have to be on the floor this afternoon, Mr. Martin, and I am afraid I may miss some of the discussion. Before I left I wanted to make it abundantly clear for the record that I supported the resolution before us 2 months ago to try to free the hands of the then President of the United States.

I do not conceive it to be any of my job to conduct foreign relations. That is his job, and I feel the same way now.

I am not questioning the authority of the President to deal with these matters in any way that he deems proper. The only thing I do not want to do is to freeze this quota again and freeze out American producers who may want to produce sugar and who may, in the long

run, be more valuable to us than some of the things we are building up that could cause us trouble if at a later date we wanted to be friendly with Cuba again. I did hope it might be clear to you.

Mr. MARTIN. Thank you very much, Senator.

I would like to make two or three points, Mr. Chairman.

Senator DOUGLAS. Do you have the question in mind?

Mr. MARTIN. Yes, sir, very definitely.

I think one of the problems, one of the major sources of free market sugar at the present time is the Cuban sugar we are not buying and it would be hard to make clear that we were not again buying Cuban sugar if we went on the world market.

More serious, however, is the fact that we have tried to establish the position that our refusal to buy sugar from Cuba was taken for good and sufficient political reasons and not in any petty spirit of economic or other retaliation.

If we were to secure a financial advantage out of refusing to buy Cuban sugar by enacting the provision you have suggested, I think it would rather tarnish the attitude that other countries have with respect to this action, which has not always been fully understood in Latin America; and, lastly, it would seem to me that it might well accomplish just the thing you are concerned about, namely, discouraging the Cuban people about the possibility that they will again be restored to a favored position in the U.S. sugar market for the kind of reason that Mr. Myers was suggesting.

If we are able to save \$120 million by not buying Cuban sugar, but buying in the world market, why should we ever want to buy Cuban sugar again?

Senator DOUGLAS. We have been buying Cuban sugar for almost 30 years at a premium. I mean, I have always felt we should have stressed this argument much more in our dealings with the Cuban people. Granted that a large portion of the consumption was intercepted by American companies, but still a portion trickled down to the Cuban people who probably, over the course of time had been given \$2 or \$3 million in excess of the world price.

But does this give them a vested interest to have this forever? Or we might even go back to it after there is a hiatus. Why could we not simply say to the foreign countries, "You are proposing that we buy more sugar from you. We will buy this sugar from you but we will buy it at the world price, which otherwise would be all that you would get if you did sell in the world market."

We would be doing them a favor in purchasing additional quantities from them, and we could even earmark that \$120 million for foreign aid to Latin America to help pay for the new program there, and in this way we would distribute the money where it was needed and not merely to the countries which grew sugar which, perhaps, do not need it.

I would be willing to say that \$120 million could be put in an impressed fund to help finance foreign aid for Latin America, and then it will go where it is needed.

Mr. MARTIN. I would just like to suggest that while there is undoubtedly great logic to what you have said I think it would be very difficult for us to get through to the Cuban people against the counter speeches by people down there who are so able at making speeches, that

this change in past policy did not mean a permanent change in any way in our attitude toward them and our desire to support the people, and get them back into a position to control their own destinies.

But I think this is a very difficult thing to explain to a people who are in a highly emotional state at the present time.

Senator DOUGLAS. Must we lose \$120 million or more because of the irrationality of other folks? I am inclined to believe if this policy goes through we will be as irrational as they are.

Mr. MARTIN. I am not sure that we lose it, Senator. It seems to me a very high percentage of it goes to countries that would otherwise be in a position where we would be giving more foreign aid to them, and the more we can have their financial resources come through trade channels rather than aid channels, this has its advantages.

Senator DOUGLAS. This—it is accidental that the sugar countries—

Mr. MARTIN. It happens to be at the present time.

Senator DOUGLAS (continuing). Are also foreign-aid countries, and also some countries that are not sugar countries need foreign aid. Coffee countries are in trouble; the tin countries may be in trouble; not the oil countries, but the tin countries.

Mr. MARTIN. I am not suggesting this is a general panacea for our problems in foreign aid, but it just happens we have had this, and it is disruptive to change it.

If the countries that were receiving a benefit were not aid countries our position would be quite different.

Senator DOUGLAS. If you will forgive me saying so, I do not think you are sufficiently athletic in the position you have taken on these issues in Latin America. Is it not true that Russia is paying 2.6 cents for the Cuban sugar?

Mr. MARTIN. I think this is about right. Do you have a figure on that?

Mr. MYERS. I think they pay something like 2.8 for what they have bought last year. They claim they are paying 4 cents now, but it is pure hogwash. They are paying—

Senator DOUGLAS. Eliminating the Russian hogwash how much is it?

Mr. MYERS. They pay 80 percent in trade goods and only 20 percent in money. Therefore, any price that they pay is largely fictitious.

Mr. MARTIN. This is the main point.

Senator DOUGLAS. If we pay 3.2 cents we would be paying probably more than the Russians are paying. Don't you think that our State Department is sufficiently able to show that the Latin Americans are getting more even now than they would if they sold to Russia and, besides, Russia cannot buy any more and probably cannot consume what she is using.

Mr. MARTIN. I would suggest, if I might, as Mr. Myers is pointing out, that the Russians are paying primarily in goods, and it is very difficult to pinpoint for the people what the difference is between goods and sugar.

I may say also, however, that the fact that the price does compute out less than the world price has not helped the Soviets at all in Latin American; and it has not helped them. This has been a propaganda point I wish we would be able to make something of.

Senator DOUGLAS. Let us make some more out of it. We will be paying 3.2.

Mr. Chairman, I think I have taken up enough time. We have discovered \$120 million or more which the American taxpayers are paying, and if these gentlemen are strong for the program of foreign aid to Latin America, as I personally have been, I would be willing to provide for the \$120 million or more to be impounded and used for aid needed in Latin America.

We are probably going to aid Latin America anyway, so this will diminish the burden upon the budget.

Mr. MARTIN. I would just like to say again that most of these Latin American countries, despite some people's belief, do prefer to earn their money through trade if they possibly can, and it is more self-respecting, and one of our real problems there is finding the local currency resources to conduct aid programs that we think are desirable.

We wish, as the Congress and you gentlemen do, I believe, to use our aid primarily for foreign-aid expenditures that are necessary, and if we deprived them of this income it would just mean we would have to have more flexible authority to cover local currency than we now have and is, on the whole, a good thing, perhaps.

Senator FULBRIGHT. The present arrangement gives them a vested interest which they would not want to see changed to their great disadvantage.

Senator DOUGLAS. I think these countries ought to be very grateful to us that we are not buying on the world market now.

If we were buying in the world market this other million and a half tons would be purchased at 3.2 cents, and we would effect a further saving of around \$30 million.

Senator BENNETT. Mr. Chairman?

The CHAIRMAN. Senator Bennett.

Senator BENNETT. It is half past 12. I have a few questions I would like to ask. I will not take too long.

Is it your thought that we will keep going for a while or should we recess and come back at a later time?

The CHAIRMAN. I think we will have to go for a little while, and then we will have another session this afternoon. We will go, perhaps, to 1 o'clock, and then we will recess until 2:30.

Senator BENNETT. I have listened to this discussion with a great deal of interest. My father used to say that a butcher that has no sausage can offer to sell it for a penny a pound.

Now, here we have a world market, so-called, on which the American economy has not drawn directly.

Temporarily in that world market we have a surplus.

How long do you think the price would stay at around 3 cents a pound if American refiners of cane sugar were dependent on that world market as individual purchasers rather than as purchasers who would draw against a fixed quota? How long do you think we would have an assured supply of sugar, off-shore sugar, at the current price if we were dealing in a world market?

Mr. MYERS. Well, Senator, I think it would depend upon how much sugar we had to import.

Obviously, if we were to destroy our domestic industry at once and go onto the world market we could cause, well, a disaster in the world prices by higher prices.

Once the price starts up there is a cumulative effect to that, as you know, until the bubble bursts.

As I pointed out to Senator Anderson some time ago we were very fortunate that at the time when we cut off the Cuban supplies there was a good supply of other sugar in the world market, and certainly we would not want to cut off our own domestic supplies and go out into the world market for some additional 5½ million tons of sugar. You just cannot do that sort of thing.

Now, what would happen if you took 10 or 20 years I do not know. Certainly if you did it quickly and obviously if we destroyed the sugar program, our domestic sugar industry or a large segment of it would go down the drain very quickly.

Senator BENNETT. Let us look at the immediate situation. These countries abroad and, particularly Cuba before Castro, had an assured market in the United States for sugar at around 5 cents a pounds.

Could they not, therefore, average their price out and afford to sell it at the "world market" or at or below cost, knowing that they had an average income which was assured by the substantial percentage that came into the United States?

Mr. MYERS. And, of course, just as that was done in the case of Cuba and in the case of the other world exporters who had to sell on the world market. That, of course, would not be true for some of the world exporters which had little or no quotas in the United States, they had to take a world market price for all of their product.

Senator BENNETT. Have you got any idea about the approximate cost of sugar that is sold in the world market? Is this a profitable enterprise if you only sell in the world market?

Mr. MYERS. Senator, there is a good deal of talk about costs of production throughout the world, and you can ask half of this audience here and they will cite you 4 cents or some other figure.

Let me say, to the best of my knowledge and belief, there is no single figure. Everybody's costs are different from everybody else's and they vary up and down.

Senator BENNETT. But is it not generally assumed that the so-called world market is a distress market?

Mr. MYERS. That is absolutely so, and it represents about 12 percent of the world sugar supply; it is a dumping ground when there is a surplus; and it is a hunting ground when there is a shortage. That is why you can go from a very low price to a very high price just the moment there is some slight increase in the world demand.

Senator BENNETT. I have been told that you should never ask a question unless you know the answer in advance, and I do not know the answer to this one.

Are there other countries that buy sugar out of the Carribbean and other obvious sugar-producing areas at prices above the world market? Does Great Britain allow its colonial producers prices better than the world market?

Mr. MYERS. Yes, definitely. Britain has a Commonwealth sugar program under which it pays premium prices to Commonwealth producers and that, of course, would include producers in the British West Indies.

I am told, as a matter of fact, by the British that our U.S. Sugar Act has been the model for some of their Commonwealth programs.

Senator BENNETT. There are other countries abroad that are in the same fix we are in. They produce part of their sugar, usually with beets, and then they purchase raw sugar, to make up the difference they need from roughly the same sources where we buy.

Do they buy at the distress price to keep their programs going or do they but at the "world market"?

Mr. MYERS. Well, they vary. It is customary for them to buy at premium prices from their colonial producers.

The French West Indies producers, I think, get a premium above the world market. The others will buy part of their requirements; and France is in this group of countries which will buy part of their requirements at the world price, and then average them into the domestic support prices when they sell to the consumer.

Senator BENNETT. Then the American program which has been paying premium prices to the sugar producers in the Caribbean is not completely unique?

Mr. MYERS. Not completely unique, no.

Senator BENNETT. Earlier Senator Douglas was questioning you about the high prices the American consumers were paying for sugar.

Do you have and could you put in to the record a comparison of retail sugar prices the American housewife pays as compared to prices paid by consumers in foreign countries.

Do you have and could you put into the record a comparative scale of prices showing the rate at which sugar prices have increased as compared with other supported crops in the United States?

Mr. MYERS. Yes, sir.

Senator BENNETT. And would you please put in as a kind of scale of comparison showing the rate of increase in the consumers' price index?

Mr. MYERS. I shall be glad to do that, both of them.

Senator BENNETT. I have the impression when you see that kind of a scale, you will find that the prices on sugar have gone up at a slower rate than the prices on the other supported and even the unsupported food products we produce in the United States.

Mr. MYERS. As I pointed out to Senator Douglas, when the Sugar Act in 1948 was written, the comparison with the consumers' price index was to be 1947. We never anywhere near achieved that.

In 1955-56, in the amendments of that year, that was scaled down to make the base period of the average of 1947 to 1949, and we are somewhat below that.

(The information referred to follows:)

Sugar: Retail prices Jan. 1, 1960, and per capita consumption, 1959: selected countries

IMPORTING COUNTRIES

	Price ¹	Con- sump- tion ²		Price ¹	Con- sump- tion ²
Singapore.....	5.4		France (metropolitan).....	11.5	73.0
Aden.....	5.6	32.3	Iceland.....	11.5	129.4
Jordan.....	6.0	³ 51.0	United States.....	11.6	⁴ 104.0
Colombia.....	6.3	³ 42.0	Netherlands.....	11.9	³ 100.7
Nigeria.....	6.9	4.3	Iran.....	12.1	85.5
Sudan.....	7.2	26.3	Venezuela.....	12.4	71.6
Bolivia.....	7.6	44.0	Argentina.....	12.7	81.3
Malaya.....	7.6	⁴ 70.8	Sweden.....	12.7	101.4
Iraq.....	8.1	63.2	Ceylon.....	13.1	42.4
Norway.....	8.6	98.6	Cambodia.....	13.4	
Ireland.....	8.7	³ 110.0	Germany, West.....	13.5	³ 70.0
Switzerland.....	9.1	105.9	United Arab Republic (Egyptian region).....	15.7	29.0
New Zealand.....	9.3	98.2	Pakistan.....	16.1	5.3
United Kingdom.....	9.3	127.7	Thailand.....	16.1	9.0
Morocco.....	9.4	69.5	Finland.....	16.5	95.7
Canada.....	9.5	103.0	Israel.....	16.6	³ 75.0
Spain.....	10.3	34.3	Greece.....	16.7	³ 28.0
Portugal.....	10.4	35.1	Italy.....	17.6	43.7
Ghana.....	10.5	22.8	Japan.....	17.9	31.4
United Arab Republic (Syrian region).....	10.5	20.8	Vietnam.....	22.0	⁶ 4.2
Austria.....	10.8	³ 86.0	Yugoslavia.....	25.7	36.0
Ethiopia.....	11.0	4.5	Korea, South.....	31.7	5.0

EXPORTING COUNTRIES

Peru.....	3.6	³ 56.0	China (Taiwan).....	9.6	³ 26.0
Brazil.....	4.4	³ 83.0	Costa Rica.....	9.6	71.0
Panama.....	4.7	43.2	El Salvador.....	9.8	32.2
Cuba.....	5.5	110.0	India.....	10.1	14.6
Mexico.....	5.6	70.3	Surinam.....	11.5	³ 54.7
Union of South Africa.....	5.8	103.7	Dominican Republic.....	11.9	62.7
Indonesia.....	5.9	18.1	Belgium.....	13.7	70.3
Haiti.....	7.5	22.9	Turkey.....	16.4	³ 30.0
Denmark.....	7.9	125.5	Germany, East.....	19.4	³ 70.0
Guatemala.....	8.0	36.2	Hungary.....	19.9	61.4
Philippines.....	9.3	³ 28.7	Poland.....	22.7	69.7
Australia.....	9.3	124.3			

¹ U.S. cents per pound, from "Sugar Yearbook, 1959," International Sugar Council.

² Pounds per capita raw sugar basis. Unless otherwise indicated, derived from International Sugar Council data for consumption, and United Nations data for population.

³ Foreign Agricultural Service data used. Calendar year per capita consumption otherwise indicated would be out of line with trend.

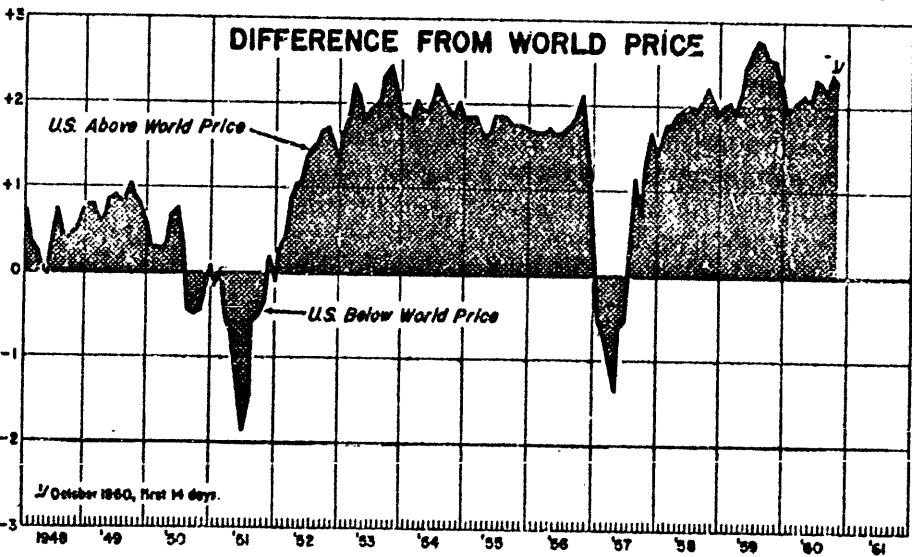
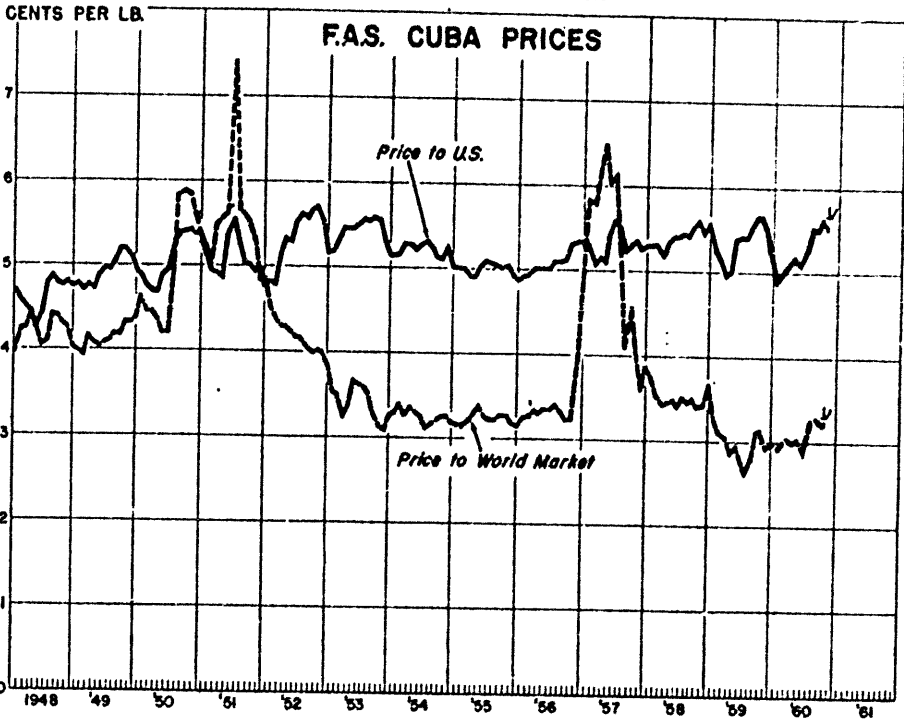
⁴ Includes Singapore.

⁵ USDA estimates used.

⁶ Includes Cambodia, Laos, Vietnam.

RAW SUGAR QUOTA PREMIUMS AND DISCOUNTS

Monthly Comparisons, F.A.S. Cuba Prices of Raw Sugar for Shipment to U.S. and World Markets



Movement of prices of sugar and sugar crops in relation to other prices

[1933=100]

Year	Consumers price index	All foods at wholesale	Refined sugar at New York, wholesale	All farm crops ¹	Sugar beets	Sugarcane
1933.....	100	100	100	100	100	100
1934.....	104	117	102	138	142	152
1935.....	107	139	113	145	130	121
1936.....	107	136	109	152	112	117
1937.....	111	142	109	166	132	119
1938.....	109	122	104	110	120	114
1939.....	107	117	105	114	125	119
1940.....	109	119	100	124	128	119
1941.....	127	139	116	152	152	155
1942.....	135	167	125	203	170	176
1943.....	136	178	127	262	210	181
1944.....	140	175	127	279	245	193
1945.....	151	178	125	283	235	214
1946.....	173	219	147	317	250	245
1947.....	187	272	187	366	265	264
1948.....	185	294	176	355	240	217
1949.....	187	267	182	314	245	233
1950.....	195	272	182	324	252	286
1951.....	202	306	191	369	260	233
1952.....	207	303	196	372	265	255
1953.....	207	289	198	334	258	267
1954.....	209	289	193	338	242	257
1955.....	207	281	195	321	250	240
1956.....	211	281	200	324	262	293
1957.....	218	289	207	314	250	255
1958.....	224	306	211	310	260	274
1959.....	227	289	213	307	250	262
1960.....	229	294	215	307	260	267

¹ About 70 percent of which are subject to some forms of price support.

Senator BENNETT. If that had not been changed in 1955-56, how much approximately would you be further below, if we were still trying to match the 1947 control prices?

Mr. MYERS. Senator, I hope I may be permitted to correct the record, but my offhand guess would be that it was close to 11 cents per pound wholesale, compared with 9.35 at the present time.

Senator BENNETT. Thank you.

I would like to ask a couple of questions of your friend from the State Department.

Senator FULBRIGHT. Will the Senator yield on that last point? I wanted to clear up something on page 6 of this study.

Senator BENNETT. Yes.

Senator FULBRIGHT. In this study which is before me, I find this statement:

The retail price of sugar since 1947-49 has been free of sharp movement. It has risen somewhat more than retail prices of food generally mostly because prices to growers of sugar crops have been better maintained than prices of most other farm products.

Down at the end of that paragraph it says:

Thus we find in the recent period while raw sugar prices have returned toward the level of a year ago, the price of refined sugar at retail has not.

That would indicate that sugar has been maintained at a higher price than other agricultural commodities.

Senator BENNETT. Of course, I have been in the Senate long enough to know that is the numbers game. It depends on which base date you take.

I would like to take 1934, the date of the Sugar Act, and let us look at the whole range, the effect of the Sugar Act as a whole on this program.

I think we will find that sugar prices have risen much less than the prices of most other agricultural commodities.

Mr. MYERS. Senator, two points are involved:

No. 1 is the base period, as you so properly point out.

That other is the index that you use.

The comparisons, Senator Fulbright, that you were reading are between sugar and other foods.

Senator FULBRIGHT. Yes.

Mr. MYERS. The Consumer Price Index uses foods, I believe, as one of its components, and it has a number of other things, including personal services.

So that you get different comparisons depending upon which index is used—

Senator FULBRIGHT. Relative to other foods, is what I thought you were discussing, and in that case sugar has, according to this, been higher, maintained higher.

Mr. MYERS. The Sugar Act to which I have referred in my discussion with Senator Douglas requires us to consider the Consumer Price Index, which is a somewhat different type of animal.

Senator BENNETT. Well, in my request I asked that both of them be put down, the Consumer Price Index and the change in other foods so we can see how the two parallel.

Mr. MYERS. Did you mean, Senator Bennett, other foods at wholesale or other farm crops?

Senator BENNETT. Well, I think it would be interesting to see both of them.

Mr. MYERS. Fine. Thank you.

Senator BENNETT. Mr. Martin, can you come back to the wire again for a minute?

Mr. MARTIN. Yes, sir.

Senator BENNETT. In the questioning by Senator Douglas, much was made of the fact that we ought to be in a position to give Cuba back its quota as an incentive for these rebels to overthrow Castro.

Maybe Mr. Mann might want to comment, rather than you, on this question. One of the things that Castro claimed he was going to try to do for the Cuban people was to get them off the one-crop economy and to try to get their agriculture on a broader basis.

Would you think this would be the kind of thing we would want to encourage?

Mr. MANN. Senator Bennett, I would think we would want to encourage this, but at the same time, I think we have to realize that this is a long-term process.

The reality of the situation is that if there should be a free Cuba again, they will be heavily dependent upon sales of their sugar, which is their principal export to the world market, and particularly to this market, and I think most of us believe that we have to bear this very much in mind and avoid freezing the sugar pattern in the meantime.

Senator BENNETT. I agree with that. But I am wondering if we have to concern ourselves with being in a position to give Cuba back $3\frac{1}{4}$ million tons.

Mr. MANN. Well, this is something that we have thought about a great deal, but I do not believe we have reached any conclusion.

I think it is hard to do that in advance of knowing the time span we are talking about and what the consequence will be at that particular time.

Mr. MARTIN. I might like to say, Senator, if I said at some point or you got the impression that I was referring to restoring to Cuba its quota, I did not intend to be that precise.

Senator BENNETT. No.

Mr. MARTIN. The implication of what I would say is that Cuba must again become a major source of supply from the United States, and I would not think we could go beyond that at this time, for the reasons Mr. Mann has stated.

Senator BENNETT. You and I would agree with that. But I got the inference from the questioning that Senator Douglas felt that this should be preserved, that you should reach out and take all the sugar away that might be labeled reallocated Cuban quota, and return it to Cuba.

I also have the impression there has been rather serious damage to the crop and to the capacity for the production of sugar in Cuba, as a result of the revolution down there.

I am not sure Cuba could take back the responsibility of assuring us 8 million or $3\frac{1}{4}$ million tons a year, at least not to start with.

When I came this morning I had just one question for you, and I am saving that for the last one. You have answered it pretty well during your colloquies with my colleagues from the other side of the aisle.

But I want to nail it down: The State Department has no objection to the earliest possible consideration of permanent legislation?

The State Department has no objection to the earliest possible consideration of permanent legislation?

Mr. MARTIN. That is correct, sir.

Senator BENNETT. Is that correct?

Mr. MARTIN. That is correct.

Senator BENNETT. You are willing to participate in the development of that legislation, insofar as your interests are concerned?

Mr. MARTIN. Yes, sir.

Senator BENNETT. I assume, from my experience with the State Department in the previous administration, that you are willing to leave to this committee largely, almost entirely, the problem of allocating the domestic share among the domestic producers? You have no direct involvement in that?

Mr. MARTIN. I think we have enough else on our platter not to get involved in that.

Senator BENNETT. If the Senator from Utah could write the Sugar Act to please himself, he would give the State Department the sole responsibility of allocating the offshore sugar, and saving this committee from the pressure it always gets from the highly paid lobbyists who come here representing these foreign countries?

Mr. MARTIN. I do not blame you at all, sir.

Senator BENNETT. I will not ask you whether you would like to have us solve it in that way, Mr. Chairman.

Senator CURTIS. Following Senator Bennett's question that you would have no concern about determining how we would divide the domestic quota, do you consider and concede that it is the Congress that should decide what proportion of our total sugar consumption should be domestic and what portion should be foreign?

Mr. MARTIN. Well, I am sure it is the Congress that decides it, but I think we would like to be in a position to express the views in the matter.

Senator CURTIS. Now, are these countries that we are buying sugar from temporarily, are they being directly notified or warned that they are not being given anything they should rely on in the future?

Mr. MARTIN. Both the State Department and the Department of Agriculture are besieged regularly by these people, and none have ever come into my office in which I have not made the statement. We have notified our missions about it, we have notified some of them by formal notes to this effect, but there has been a consistent line that we must assume that we will at some future date again wish to buy a major portion of our supply from Cuba and, "therefore, you should not spend a penny of capital to expand your capacity."

My impression is, on the whole, there has been very little spent to expand acreage.

Senator CURTIS. Are you also advising them that there are interests in the United States that would like to produce more sugar?

Mr. MARTIN. I have not so advised them in any conversations. I doubt if there are any embassies here who are not aware of this fact.

Senator CURTIS. But if it is a fact, in fairness and in order to keep their friendship and to prevent misunderstandings, they should be so advised, should they not?

Mr. MARTIN. I think it is a reasonable statement to make, sir.

Senator CURTIS. Yes.

There is also the danger though, if a temporary arrangement goes too long that there is a feeling, an automatic feeling, that they have a vested interest; isn't that right?

Mr. MARTIN. I think that is a problem. I think we have been lucky so far in the sense that there have been bumper crops during this period of existing acreage so there has been little justification for anybody to invest in expanded output. They have had trouble enough selling what they have been able to produce with existing conditions.

This has resulted in some lowering of the world prices, which is also a break, so thus far I think we have gotten through pretty well without any more anticipations than there have always been of a desire to get into the U.S. market.

Senator CURTIS. I would suggest to the State Department that any failure to advise foreign countries that there is not an earnest and widespread and sincere demand for more sugar production in the United States would be to overlook a basic fact that exists.

In reference to this automatic claiming of a vested right by reason of a temporary situation going on for several years, you alluded to that in your New York speech, did you not, Mr. Myers?

Mr. MYERS. Yes, Senator; I did.

Senator CURTIS. And when you said :

The fact remains, however, that when price premiums amount to as much as \$150 million a year, vested interests are claimed automatically. All the arguments in the book will be put forth by producers desiring to sell at such premium prices. Regardless of the wishes of either Congress or of the administrative agencies, the vested interest arguments of new suppliers will become stronger as the period of time they supply our market increases.

Mr. MYERS. That is correct.

Senator CURTIS. And you were speaking of the foreign suppliers?

Mr. MYERS. That is correct.

Senator CURTIS. Now, I do not want to drag along in something too academic, but coming back to what is a world price, I believe I understood you to say to Senator Bennett that only about 12 percent of the sugar moved in the world price.

Mr. MYERS. That is correct.

Senator CURTIS. So, in other words, 88 percent of the sugar moves in a sugar program of some sort or another?

Mr. MYERS. Under some form of protection.

Senator CURTIS. Yes.

Now, does that follow that the consumers of the 88 percent of that sugar obtained more than they should pay?

Mr. MYERS. No; I do not personally attach morals to prices. It is two different categories.

They are paid above the world price. I do not know what the world price would be if we did away with all forms of protection. We would obviously shift production about tremendously in the world.

Senator CURTIS. What is a subsidized price? First let me ask you this: In general, do the consumers of sugar and, of course, in proportion to the amount of sugar they use, pay the cost of our sugar program and the cost of the sugar, with all the related costs in connection therewith?

Mr. MYERS. I think that inevitably is so; yes.

Senator CURTIS. Now, we get into a question of definition and semantics, do we not, when we talk about a subsidized price?

Mr. MYERS. Absolutely, and there will be as many definitions as you will have people defining the term.

Senator CURTIS. Yes. If we take a definition of a subsidized price, if it really costs a dollar and a half an article, and the Treasury pays 50 cents of it and sells it to the consumer for \$1, that would be very clearly a subsidized price, would it not?

Mr. MYERS. Yes; I think every dictionary would agree that would be a subsidy.

Senator CURTIS. But definitely the operation of the Sugar Act is not that kind of subsidy, is it?

Mr. MYERS. No. There is a question, of course, when you get into the Sugar Act payments whether they would be defined as a subsidy under all definitions of the terms.

Frankly, I think this whole discussion of the semantics of subsidy a rather futile one because I see no difference in one technique versus another.

Why is it any different, you have a protective tariff that gives you a half percent than to have a tax and a payment that gives you a half cent? It is both a half cent. I do not see any difference.

Senator CURTIS. I understand that. But the point I am getting at is that the general Federal Treasury is not paying any part of the sugar that the housewife buys or the sugar that the manufacturer buys; isn't that correct?

Mr. MYERS. They are not getting into the problem today whereas we did during the war, and as many foreign countries do, of buying the sugar and selling it to their consumers, either at a higher price or at a lower price; that is correct.

Senator CURTIS. Yes; and in the main, has the Sugar Act been self-sustaining so far as general revenues of the Treasury are concerned?

Mr. MYERS. It has been decidedly better than self-sustaining.

Senator CURTIS. What do you mean by that?

Mr. MYERS. The tax, the processing tax, which the Sugar Act establishes is for one-half cent per pound or 10 cents per ton on the total quantities that we consume in this country, which is roughly \$90 million a year and Sugar Act payments amount to something in the neighborhood of \$70 million a year, so there is a gain there in the Treasury of about \$20 million a year.

Senator CURTIS. It has been through the years—

Mr. MYERS. It has been through the years from \$15 million to \$20 million a year.

Senator CURTIS. Yes. So laying aside what has been accomplished or has not been accomplished insofar as order within the sugar industry is concerned, the fact remains that our General Treasury is about \$20 million better off by reason of the act.

Mr. MYERS. Each year.

Senator CURTIS. Each year?

Mr. MYERS. Correct.

Senator CURTIS. And there are many things that governments do which are designed to raise prices to a fair level for producers or to raise wages to a fair level for workers that are not in the category of subsidies when we use the definition of paying part of the price out of the General Treasury; isn't that true?

Mr. MYERS. There are a great many that have subsidies, that is correct; yes.

Senator CURTIS. Yes. In other words, this is an act that has the same objective of all farm legislation, is it not?

Mr. MYERS. Yes, indeed.

Senator CURTIS. To raise to a fair price, and I do not think I will take any further time on that question of subsidies because, as we say, we can go on and get as many definitions as the English language could put together. But I am pleased at your statement to make it clear because there is a great misunderstanding in the country on the question.

I think the people who buy and use sugar should be the ones who pay for the sugar, and that is what happens in this program, is it not?

Mr. MYERS. That is correct.

Senator CURTIS. Yes.

You share the view that the sooner a long-range program can be worked out, the better it would be for everyone?

Mr. MYERS. Oh, yes, Senator, by all means; and if the Congress at this session could get one worked out, it would be a great thing for

the sugar industry of this country and foreign countries, as well, and to make it effective by January 1, 1962.

I do call your attention to the fact that the House started its hearings and action on the sugar program in 1955. It was not possible to get it through the Senate that year, but it had to drag over and got through the Senate the following year, and when was it that we finally got it signed into law?

Senator BENNETT. It was about this same time, April or May.

Mr. MYERS. It seems to me as though it were late May of 1956. I cannot put my fingers on it at the moment.

So I think that it is that time schedule, and let me say, that the problem that confronted the Congress in 1955 was child's play compared with the problem that I think is going to confront you this year.

Senator CURTIS. I think that is true.

Now, as head of the Sugar Division of the Department of Agriculture, you received communications and requests from citizens of the United States asking for a sugar quota or an increased sugar quota?

Mr. MYERS. Senator, if I may be a little bit facetious in answering, asking is an understatement. They demand it.

Senator CURTIS. Well, it is quite widespread.

Mr. MYERS. Yes; it is. It is especially widespread in the beet areas with a number of focal points of special demand.

I would call your attention to the Red River Valley, to the Pacific Northwest, the great Columbia Basin, portions of California, and the Southwestern States, from Arizona, New Mexico, Texas, Oklahoma, and southwestern Kansas.

I think those are the areas of greatest demand.

I know in the beet area that your State wants more acreage, too.

Then we have something growing up, and I was terribly concerned about Senator Anderson's discussion because I think he may not have been aware of the expansion that is going on in Senator Holland's State of Florida.

It is, I think, a situation where there are four mills being in some stages of construction down there at the present time, Senator Holland.

I only hope that they will be put up efficiently and effectively because when you get an expansion of that sort almost overnight it is more or less sheer accident if everything works out well.

Most of our sugar industry that is efficient and earning high profits today in the domestic areas have taken years in the developmental process.

Senator CURTIS. I am very pleased that we have two eminent gentlemen from the State Department here to hear your recitation of not only the requests but the demand in the United States for a right to produce more of the sugar that our people use and, as I said a bit ago, I think it would be an act lacking in friendship if all the foreign countries were not told of that.

As a matter of fact, Mr. Myers, if we say to all the rest of the American economy, "You are not only permitted to grow, you are urged to grow, we are going to give you Government incentives to grow," and then pick out one little corner of our economy and make it impossible for them to grow, the chances are that its efficiency will be cut down, too, will it not? There is an element of stagnation when there is no chance to grow; isn't that right?

Mr. MYERS. Well, there could be; very fortunately, I must say, the indications of stagnation, fortunately, have not been very apparent in our domestic sugar industry.

Senator CURTIS. I have been very much aware of that.

Mr. MYERS. That is something we should be very proud of. I think that question is a rather large one because historically we have been importers of sugar. Now we have worked up a sugar program under which we give our domestic growers a respectable price.

Originally there was an expectation that that would be a fair price for a limited quantity. Now it becomes a matter of judgement completely within the province of you gentlemen in the Congress as to what share we should grow of our sugar domestically and what proportion we should import.

Senator CURTIS. You would agree that an increase in a domestic quota or anybody's quota should extend over a reasonable period of years, in order for an orderly operation, both from the standpoint of the farmers as well as from the processors; do you not?

Mr. MYERS. I think it is absolutely essential, Senator, and when you think that a modern sugar beet factory costs around \$15 million or more for the factory alone, plus all of the investment that the farmers have to make in their production, you see that there must be long-range planning, and it must be a long-range program.

Senator CURTIS. I just have one more question. Referring back to this demand of farmers and their representatives, I want to say to you, there is a great deal that you do not get because—

Mr. MYERS. That is true.

Senator CURTIS (continuing). Many Congressmen and Senators are aware that you are working under a basic law that Congress has to change, and you have no discretionary power to increase that, and so you are getting a tiny portion of the demand for new production.

How would you compare it to previous years? Has it increased?

Mr. MYERS. Yes, it has strongly increased; greatly increased in the past 2 or 3 years.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. We are honored today to have with us Senator Holland, who will make a statement.

I first want to thank the previous witnesses for giving very enlightening statements.

Mr. MYERS. Thank you, Mr. Chairman. It is always a pleasure to be here.

The CHAIRMAN. Senator Holland.

STATEMENT OF HON. SPESSARD L. HOLLAND, U.S. SENATOR FROM THE STATE OF FLORIDA

Senator HOLLAND. Mr. Chairman and members of the committee, it will only take me a few minutes.

First I want to say, for myself and my State and, particularly, for the sugar industry of Florida, we support the statement already made by my esteemed colleague, the Senior Senator from Louisiana, Mr. Ellender:

To elaborate upon that only briefly, we think that a fixed extension that can be agreed upon by the two houses between now and the closing moments of this month is an absolute necessity.

It seems to us that the best way to have such an agreement is for the Senate to concur with the House bill as to the 21-month extension already incorporated in that bill.

To elaborate just briefly upon what has just been stated by Mr. Myers, our State is feeling acute growing pains in this industry. Our largest factory is putting in a large new plant which I understand may cost \$20 million.

There have been three smaller plants purchased, I believe in Louisiana, and transported to Florida, or in the course of being reconstructed there.

There is great demand for the ability to produce by individuals who have heretofore been largely in the production of vegetables, sweet corn, cattle, and the like. They have formed one or more co-operatives for that purpose.

There is a substantial immigration to us of sugar people who formerly produced in Puerto Rico, who wish to transfer their operations to our State.

There are several groups of Cubans in sizable numbers who are practiced in the production of sugar, who are trying to get into our production because they are new refugees from their own country. The pressure is very good for additional productive potentiality. However, I do not wish to present that at this time in this hearing, and I hope the committee in its wisdom will not consider any such request from any source.

I simply wanted to briefly mention that subject because I would certainly be remiss if any such consideration as that should come into any domestic area without our being heard and without our being considered at that time.

Mr. Chairman, I appreciate the expedition which you have given to this hearing.

The CHAIRMAN. Thank you very much.

Senator HOLLAND. I am ready to support you when you get to the floor, as I did in the Cuban matters and other matters relating to this bill.

Thank you.

The CHAIRMAN. Thank you, Senator Holland.

The committee will recess until 2:30.

(Whereupon, at 1:05 p.m., the committee recessed, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The first witness is Martin McLain, the American Farm Bureau Federation.

STATEMENT OF MARTIN McLAIN, AMERICAN FARM BUREAU FEDERATION

Mr. McLAIN. Mr. Chairman, and members of the committee, we appreciate the opportunity to appear briefly before this committee and give our views regarding the extension of the Sugar Act.

We continue to support the Sugar Act as a means of dealing with the problems peculiar to the sugar industry.

The primary provisions of the act do not relate to payments, but to quotas that regulate the marketing of imported and domestically produced sugar.

Our policy resolutions recommend the extension of the present Sugar Act for 5 years with provisions for the following five things:

- (1) Immediate and substantial increases in basic quotas for mainland cane and beet areas;
- (2) A substantial increase in the domestic share of increased consumption due to growth;
- (3) Retention of the present formula for reallocating domestic deficits to domestic areas;
- (4) Provision for sugar production in new areas;
- (5) Protecting the interests of domestic growers.

Realizing that the present law is scheduled to expire March 31, 1961, and that producer organizations have had no opportunity to present their views to the House, we agree that an interim extension is needed to permit an orderly exploration of the changes that are needed in the basic act. At the same time, we believe that it would be highly desirable for Congress to proceed as quickly as possible to develop long-range sugar legislation so that producers and processors can plan ahead on an intelligent basis. We, therefore, recommend that the current extension provided in the bill, H.R. 5463, passed by the House, be limited to 9 months which would extend the present program to December 31, 1961. This would clear the way for full-scale hearings on the changes that should be incorporated in more permanent legislation, and we sincerely hope that both this committee and the House Agriculture Committee will begin such hearings as soon as possible.

It is our judgment that long-range legislation can be developed and enacted during the current session of Congress if the necessary hearings are started promptly. We are deeply fearful, however, that the proposed 21-month extension would lead to an undesirable delay in the development and enactment of longer range legislation.

We want to thank this committee for its dedicated efforts in trying to solve the difficult problems associated with the present sugar situation.

The CHAIRMAN. Thank you, Mr. McLain.

Any questions?

(No response.)

The CHAIRMAN. Thank you very much.

The next witness is Mr. Roscoe Fletcher of the New Mexico Farm and Livestock Bureau.

STATEMENT OF ROSCOE FLETCHER, NEW MEXICO FARM AND LIVESTOCK BUREAU

Mr. FLETCHER. I want to apologize, members of the committee, I have changed my statement and I don't have but one copy now.

I appreciate the opportunity to present our views on the proposed legislation affecting the Sugar Act. The New Mexico Sugar Beet Committee, of which I am State chairman, is a statewide organization composed of sugar beet committees, all of which could and would like to produce sugar beets.

Our committee is a commodity group directly responsible to, and represents the policies approved by the board of directors of the New

Mexico Farm and Livestock Bureau. The New Mexico Farm and Livestock Bureau represents over 8,500 farm families, a very high percentage of the total farm families in New Mexico.

Senator BENNETT. Mr. Fletcher, before you go further, I am interested in your name. Are you the New Mexico branch of the Farm Bureau with the words "livestock" added to it, or are you a different and separate organization?

Mr. FLETCHER. Our name is New Mexico Farm and Livestock Bureau, that is the total name.

Senator BENNETT. That is right, but is there in addition in New Mexico a farm bureau which is a different organization than your own?

Mr. FLETCHER. No, there isn't.

Senator BENNETT. You are the Farm Bureau of New Mexico, and you have added the word "livestock"?

Mr. FLETCHER. We have just added that to it.

Senator BENNETT. Thank you.

Senator CURTIS. You are affiliated with the National Farm Bureau?

Mr. FLETCHER. Yes, sir. We are a State organization.

Senator BENNETT. Mr. McLain just testified through the American Farm Bureau Federation. Are you a part of that federation?

Mr. FLETCHER. Yes, we are a member State of that organization.

Senator BENNETT. Thank you.

Mr. FLETCHER. We support the position of the American Farm Bureau Federation in asking for an immediate 9-month extension of the present Sugar Act in order to avoid disruption of the entire industry and consumer cost of living for the balance of this year. This short extension will give Congress time to enact a new long-range program to become effective at the end of this year.

We favor immediate and substantial increase in basic quotas for domestic beet areas.

No. 2, a substantial increase in the domestic share of increased consumption due to population growth.

We favor a fair formula for reallocating to old and new growers domestic deficits.

We favor sugar production in new areas like New Mexico to permit establishment of a mill.

With regard to the New Mexico Sugar Beet Committee, in February of this year a survey was made by county committees to determine the number of acres which would be grown if we receive a quota. The questionnaires returned indicated an interest of over 37,000 acres. Since that time a great deal more interest has been shown by prospective growers, so undoubtedly this figure would be adjusted upward.

A new cash crop is vital to the future of a sick agriculture economy in New Mexico. According to the latest USDA figures the average realized net income in our State fell 19 percent in 1960. At the same time, the total cash receipts from farm and ranch marketing dropped by 10 percent, the largest drop in the Nation.

Only a little over 800 acres of sugar beets are allotted to New Mexico at present, and producers of these are operating on a marginal basis due to high transportation cost to the nearest plant at Rocky Ford, Colo.

We are opposed to short extensions of more than 9 months duration. Our proposal would:

(1) Enable sugar companies to have a firm basis for building a new refinery in New Mexico that would be assured of being needed over a long period of time.

(2) Permit greater diversion of acreage from surplus crops grown in New Mexico such as wheat, feed grain, and corn.

(3) Reduce the amount of sugar purchased from foreign nations and thus curb the outflow of gold from the United States.

Experimental work with sugar beets by New Mexico State University shows that they are readily adapted to New Mexico and produce high yields and a high sugar content. Several companies have indicated a real interest in establishing in New Mexico, provided long-term legislation can be passed.

Figures from a company on the effects on the economy of the area where a typical sugar beet plant processes 2,500 tons per day are enlightening. Such a plant would add \$20 million each year to the economy of the area in which it is located and from which it draws beets.

The figure breaks down as follows: payments to farmers; employee payroll; transportation and value created; fuel cost and \$90,000 in local taxes. Such a plant means the employment of 300 to 350 men during the processing season and 2,000 men in caring for and harvesting the beet crop. Such a plant would require each 24 hours 2,500 or more tons of beets, 350 to 450 tons of coal or the equivalent in natural gas, 6,000 to 7,500 pounds of paper for sugar containers, and 4,000 to 4,500 pounds of burlap for dried-pulp containers. Refineries cost from \$12 to \$15 million each and are able to process from 25,000 to 40,000 acres.

It has been a pleasure to appear before this committee. On behalf of the New Mexico Sugar Beet Committee, we again urge a 9-month extension of the Sugar Act as is, and trust that our long-range program might be adopted to aid our economy.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Fletcher.

The next witness is Mr. Hoyt Pattison, of the New Mexico Sugar Beet Association.

STATEMENT OF HOYT PATTISON, NEW MEXICO SUGAR BEET ASSOCIATION

Mr. PATTISON. Senator Byrd and honorable Senators of the Senate Finance Committee, it is a pleasure to be able to follow Mr. Fletcher, who has given you a picture of the general situation in New Mexico.

I would like to now tell you about an individual county in our State.

We are a nation of individuals, where the individual is important. I bring you a statement from individual farmers by one of them.

Gentlemen, I bring you greetings and petitions of the members of the Curry County Sugar Beet Association. This group is an association of some 97 members who are dedicated to the proposition that we in Curry County, N. Mex., and in the whole State or New Mexico—in fact, in our whole southwestern area and any other interested area—should have the opportunity to play a part in the production of the sugar that we use in our Nation.

Let me give you an example of the interest in our county alone in the production of sugar beets as a new producing area. A recent survey by our county agricultural extension agent shows that approximately 120 irrigation farmers are interested in planting approximately 11,400 acres of sugar beet.

The agricultural economy of our county is based on the production of wheat and grain sorghums. Both of these items are in surplus production at the present time. If we were permitted to produce 11,400 acres of sugar beets, this much land and more, considering a rotation program, would be taken out of production of these mentioned surplus crops.

Gentlemen, we ask that you pass into law at this time only a very short extension of the present Sugar Act, so that before this year is out you of the Congress of the United States of America can create a new permanent Sugar Act. We ask that such an act free our Nation forever from dependence on foreign sources for any great amount of our sugar.

In considering the defense of our Nation we cannot afford to be caught short in time of war of an item as important as sugar.

A permanent Sugar Act increasing our domestic quota for all interested areas would also help solve the depressed economic and employment conditions in these areas.

Gentlemen, we who present you this petition for the right to grow sugar beets as a new producing area ask for not one cent of Government money for doing nothing. We only ask for the opportunity to help ourselves.

To the average man in the field on the tractor in our county and to the average man on the streets of our cities, it is inconceivable why anyone would consider giving all of Cuba's presently available sugar quota to anyone else without first taking care of our own farmers, laborers, and storekeepers.

I thank you.

Senator BENNETT. Mr. Chairman, with Mr. Pattison there, I would like to ask Mr. Myers a question.

Maybe Mr. Pattison can answer it or help answer it.

Mr. Pattison has made the point that if the farmers in New Mexico were allowed to replace acres now used to grow feed grains and wheat with sugar, then the money spent to support those programs would be saved and the acres used to produce them more than an equal amount would be taken out of the present problem.

Has anybody attempted to estimate the relative "subsidy" that is involved in changing from one crop to another?

Mr. MYERS. Senator Bennett, I do not know of such study. The only point that I would make in connection with it is that this year, with the largest beet acreage in all of our history, we are growing something less than 1,100,000 acres. The acreage that is involved in wheat, cotton, corn and other feed grains runs well into the millions, as you know.

Senator BENNETT. That is right.

Mr. MYERS. In other words, sugar beets are a very much more intensive crop. Therefore, the expense per acre would be nothing like the expense per acre for the feed grains, and the total acreage involved would be minor, of course.

Senator BENNETT. Looking just at 1 acre, or looking at these 11,000 acres in this one county, what would be the effect on this problem of subsidy, how much subsidy is being required to support those 11,000 acres to grow, let's say, just wheat, because it would be easier to make a comparison with a single crop. How much Federal subsidy goes into the output of these 11,000 acres if they are planted in wheat, and how does this compare with the premium that is paid for sugar if they are planted in sugar?

Do you have any ideas, Mr. Pattison?

Mr. PATTISON. Yes. As I said before, I can only speak for my own county.

But were we to achieve the goal of 11,400 acres of sugar beets in our county, there would be that much acreage not planted in grain sorghums for every year that that acreage was planted in sugar beets.

I say this because—

Senator BENNETT. Let's assume then that is right. Now, what effects would that have, or what would be the comparative effect upon this question of support payments and premium payments?

Mr. PATTISON. One acre of grain sorghum under irrigation in our county would yield approximately 5,000 to 6,000 pounds of grain per acre, say 3 tons per acre; 11,000 times 3 tons is 33,000 tons of grain sorghum which would not be placed on the surplus market for grain sorghums. Furthermore, the grain sorghums which were grown on other acres would have a market in the livestock which the byproduct from sugar beets would promote, the livestock market would be—the livestock production in our county would greatly be enhanced by the production of sugar beets and the feeding of their byproducts.

Other grain sorghum and feed produced would not go into the surplus pile for our county individually because they would be fed to the additional livestock.

Senator CURTIS. Would you yield to me at that point?

There is this difference, too. The subsidy, say, on the sorghum grains, if the support price is beyond the market price, the difference thereof is a burden upon the general revenue of the Government, its General Treasury.

Mr. PATTISON. Yes, sir.

Senator CURTIS. Which would probably fall in everybody's definition of subsidy. If it were changed to sugar, the entire price of the sugar would be borne by the people who consumed sugar, isn't that correct?

Mr. PATTISON. Yes, sir.

Senator CURTIS. You have certainly given us a good statement here, and while it varies in some communities I want you to know that there are many communities in my State that would fall in the category that you have described here.

Where is this county in New Mexico?

Mr. PATTISON. It is right in the middle of New Mexico on the east side; you go right down the east side, and it is in the center.

Senator BENNETT. What is the nearest large town?

Mr. PATTISON. Amarillo, Tex., is 100 miles northeast, Lubbock, Tex., is 100 miles southeast, and Albuquerque is 250 miles west.

Senator CURTIS. Where is your closest refinery?

Mr. PATTISON. Our closest refinery at the present time is Rocky Ford, Colo., some better than 300 miles away.

Senator CURTIS. In other words, what you need is in addition to the right to grow sugar, you need it over a long enough period so that both producers and processors can plan for it and make it worthwhile; is that not right?

Mr. PATTISON. Yes, sir. We of the Curry County Sugar Beet Association, of which I am chairman, are trying to help do this for our whole area. The freight for transporting sugar beets as far away as Rocky Ford, Colo., is too much for the processors and producers alike to make it economically worthwhile. So we need a mill in our area if we are to produce sugar beets, and we need a Sugar Act of long enough extension to make this economically feasible.

Senator BENNETT. I have no further questions.

Senator LONG. As I understand it, though, you need a longer term Sugar Act than we have here. And I would like a longer term Sugar Act than we have here.

But from the point of view of the State that I represent, we need at least 21 months, we would do better to have 4 years or longer. But as between the two, we will have the act expire when we go to planting in the fall. We have to plant our cane around October, as I recall, and then when it grows up for a year it is cut back, and it produces second growth.

Now we need an act longer than this, but I don't know that it is helping us to get in the position of voting for a shorter act, because our people have to get their planting done, and they don't have any act upon which to harvest their crop later on.

Nine months might meet your problem, those that are planting seed now would be in the position that they could harvest in the fall and have a Sugar Act when they harvest. But it seems to me that 9 months for the sugar quota would be very much against the interests of those of us who will be permitted to produce cane over into the next year.

Mr. PATTISON. Our reasons for wanting only a short extension of the present act at this time are that the present act doesn't help us produce sugar beets at all. We can't produce any as it is, because, as it was pointed out this morning, we have no market available for them. We hope that with the short extension that Congress will pass a permanent act which will include our area with other new growing areas, expansion in old areas such as yours in a permanent act of 6 years at least, or more so that we can all be assured of a market in the future for what we plant in the way of sugar production.

Senator LONG. It would seem to me, though, if a 6-year act is desirable we are a lot better off to have 21 months than 9 months. But you are ruling just the opposite direction. We need, from our point of view, as long an extension as we can get to give the industry some assurance so that they can plant year after year.

We have had these acts expire on us, and invariably we have been confronted with this problem of trying to get an act extended, and somehow they always seemed to be putting a hammerhold on us to get any extension of the act at all.

I can't see where we will be any better off in States that plant cane if we have a short extension than we would to get the longest extension that we can get. Twenty-one months is a lot longer than 9 from our point of view.

Mr. PATTISON. Yes, sir. But wouldn't a 6-year act be more desirable than a 21-month act?

Senator LONG. Yes, but we do not know that we are going to get any 6-year act. By the time we pass a 9-month act like you are advocating we might be in a position to have to settle for another 9-month act, another 21-month act. And we are trading with the House conferees on the next bill. I have had some experience with that. And unfortunately the chairman of those House conferees is not represented in an area that produces sugar; he doesn't have the same problems to contend with as we do.

Mr. PATTISON. That is very unfortunate.

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

The next witness is Robert M. Kerr, Southwest Oklahoma Area Development Association.

STATEMENT OF ROBERT M. KERR, SOUTHWEST OKLAHOMA AREA DEVELOPMENT ASSOCIATION

Mr. KERR. Mr. Chairman, and honorable members of the Finance Committee, it is indeed with mixed emotions that I appear before this group of distinguished lawmakers. First with a feeling of humility and smallness when I think of the many distinguished and learned men of Oklahoma whom I am sure could better represent us at this hearing, but with a bursting of pride when I think that I am representing the great State of Oklahoma here today.

First, so as not to embarrass Senator Kerr by the mistakes I will probably make as a novice here, let me explain that other than being good Democrats our kinship probably exists in name alone, but let me say for sure I'm not ashamed of the Kerr name.

The CHAIRMAN. You have no reason to be.

Mr. KERR. I mentioned a moment ago that there are many people in Oklahoma who could better present this statement to you, but I was told they wanted a farmer's views on the subject, no one told me what to say, so here, gentlemen, are the remarks of a farmer—from the heart and the pocketbook—the two places I think that matters the most.

May I start by bringing to your attention something that I know you must get tired of hearing about, but it is a real problem and the basis for our desire for new cash crops.

Hardly more than 10 years ago wheat was bringing the farmer \$2.40 to \$2.50 a bushel. A new tractor would cost \$1,800 to \$2,500 and a loaf of bread sold for 15 cents to 18 cents. Last spring wheat sold for \$1.65 to \$1.75, a comparable tractor sells for \$5,000 to \$6,000 and that loaf of bread was costing 25 cents to 28 cents.

While the prices we pay sometimes doubled, the prices we receive have gone down about one-fourth of what they were.

I ask you, is it fair to penalize the farmer because of his ability to produce?

Cotton and wheat being our two main crops in southwestern Oklahoma it is terribly hard for a farmer to even pay his bills at the end of a season much less to enjoy a profit that other segments of our population with a similar capital investment are enjoying.

Gentlemen, our enthusiasm in this matter—our earnest desire for a small portion of the allocations for sugar acreage does not come entirely from our hope for increased incomes. I won't deny its importance, but down in Oklahoma we farmers are a proud lot and we do not have a wide range of possible crops so that wheat and cotton and other crops that are in great surplus are our mainstays.

Our land is of a deep loam type that makes it very valuable and our investments are therefore quite large per farm—that soil is worth \$400 to \$500 per acre, and that in addition to our investment in machinery—too much for us to wish to park it in the soil bank. We want to use that land.

Now every time we add to the surplus—which we must do if we work at all, we are criticized—we are criticized if we raise corn, or cotton, or milo or other grains. We seem to be seen in a position where we can't win, and the more efficient we are and the harder we work the more we add to the surplus and the more we are criticized. We wish you here in Washington would help us out of this position. Perhaps they can produce sugar cheaper in countries where soil, labor, fertilizer, and other necessities cost relatively little, but raising more sugar beets in the United States is not as uneconomic as what we are doing right now, producing and adding to the surpluses. And we ask you to give us a chance to prove this.

Yes, we have surpluses, but I believe the farmers of America should be commended not "con-damned" for their superiority in knowledge and techniques to almost every other country in the world. But the fact remains that farmers are talked down, talked about, cursed and discussed—mostly cursed by almost every metropolitan newspaper and magazine you pick up, for being a burden on the taxpayer. And in that respect, I am sort of like Jack Paar, I don't believe we deserve all the bad publicity we get.

But, seriously, gentlemen, it is a very real problem and we ask you, the lawmakers of this the greatest of all nations, to put your hearts, souls, and minds along with us the farmers to helping find a solution.

One might suggest that if we were not satisfied as farmers we might turn our endeavors to other pursuits. To most who farm it is their life.

I am sure most of you are familiar with the school group, the Future Farmers of America. Some years ago I belonged to that group and its creed has always stayed with me. The creed was in part, "I believe in the future of farming with a faith born not of words but of deeds." Most farmers have that faith as their deeds show.

It is with these thoughts in mind when I ask you—yes, beg you to allow the farmers of the United States and in particular Oklahoma to grow a greater portion of the sugar we consume here. Please understand it is not at the expense of others that we wish to profit, but in light of the present situation plus the fact that the sugar consumption in the United States is increasing something like 130,000 tons a year we feel it is the right of the American farmer in new grower areas to produce to satisfy a portion of that demand.

Now it has been determined that we in the southwestern part of Oklahoma and the surrounding Texas counties can grow a beet of extra high sugar content. Our soil and climate are adapted to the needs of the sugar plants. In five southwest Oklahoma counties and the four surrounding Texas counties we have 271,000 acres under irrigation suitable for beet production not to mention all the other areas of Oklahoma recognized as being suitable for beet production. I understand that one mill will service around 40,000 acres, depending on tonnage per acre.

We do not feel that we would be profiting at others' expense. On the contrary, we believe that the economy of the whole United States would be somewhat helped by these facts. First, that the affected growing areas where new processing plants were built would create many new jobs in the building of such plants, in the running and maintenance of such plants, and by the related industries that grow around beet processing plants to utilize byproducts.

Second, by diversification from cotton, wheat, and milo we feel that the taxpayer would be favorably affected by not having as much buildup of surpluses to pay storage and support prices on.

Third, the farmers raising the beets could be in a favorable position to buy new machinery, cars, household goods, and other products of other industries.

Now, gentlemen, this is our plea. First we realize that at this late hour in the life of the present bill an extension is almost mandatory. But we would ask even now the bill be amended to give new grower areas such as Oklahoma enough quotas to support a new sugar mill. If there is not time to do this, we then ask that the bill only be extended long enough to accomplish these amendments so that we might participate in the next growing season.

I again bring you this plea to help us in our attempt to bring about a better economic era in agriculture.

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

Any questions?

(No response.)

The CHAIRMAN. The next witness is Mr. James W. Witherspoon, of the Texas Sugar Beet Growers Association.

Before you proceed, Mr. Witherspoon, I would like to insert in the record a letter from Senator William A. Blakley, of Texas; and also a statement, and likewise a joint resolution of the General Assembly of Texas respecting this matter; and also a statement of O. R. Strackbein, presented on behalf of the Texas Sugar Beet Growers Association; and also a statement of the United States Cane Refiners Association; and a statement of Senator Ralph W. Yarborough, of Texas.

(The documents referred to are as follows:)

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
March 25, 1961.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

My DEAR MR. CHAIRMAN: I want to express to you and to the other members of the Finance Committee my deep appreciation for arranging this hearing, and I regret that I am unable to appear.

For the record I wish to include two items. One is my statement in support of increased sugar beet acreage for Texas. The other is Senate Concurrent Resolution No. 28 by the Legislature of Texas in support of increased sugar beet acreage. I hope that the committee will give these requests, and those of the witnesses who appear, every possible consideration.

With highest regards, I am,
Sincerely,

WM. A. BLAKLEY.

STATEMENT BY SENATOR WM. A. BLAKLEY, MARCH 27, 1961

Mr. Chairman, the United States is vulnerable at this time in assuring our people of an ample supply of sugar. Events of the past 2 years in Cuba—formerly our chief source of supply—point to the acuteness of the situation.

We must look more to ourselves. We must look to my own State of Texas and other southwestern areas.

Extensive studies and tests in the production of sugar beets have been made in west Texas. It has been shown to the satisfaction of authorities that sugar beet production is possible and economically feasible there.

Can sugar and beet sugar are indistinguishable. When refined, they are an identical product. The United States already meets one-fourth of its sugar requirements with domestically produced beet sugar. We have the land and the industrial resources to expand greatly this production.

I believe this should be done. I consider it imperative that immediate steps be taken to assure the rapid expansion of the domestic sugar beet acreage and beet sugar processing capacity.

It is necessary, also, to lift the present disabilities and inhibitions on new growers in new areas or new and existing growers in small areas that are at present without processing capacity. Only after this is done can prospective growers negotiate effectively with prospective builders of processing mills.

Now, while the bill to extend the Sugar Act is being considered, is the time when this assurance should be given. Mr. Chairman, it is my hope the committee will take the first step to utilize Texas' potentials in this field by recommending a sugar beet acreage quota for my State.

I am submitting with this statement Texas Senate Concurrent Resolution 28, asking the Congress to enact legislation enabling the sugar industry to increase production in this country and allowing the farmers of the Nation to grow additional sugar beets and cane crops for the refinement of sugar. This resolution was adopted unanimously on March 15, 1961, by the Senate and House of Representatives of Texas.

The gentlemen from Texas who are here to testify before your committee are prepared to furnish persuasive evidence to back up their request for a quota. I appreciate your courteous thoughtfulness in hearing them.

SENATE CONCURRENT RESOLUTION 28

By Rogers, Smith, Hazlewood, Alkin, Owen, and Moffett

Whereas the welfare, not only of Texas but of the United States, requires that production of both cane and beets for refining into sugar consumed in the United States be enlarged to the extent that the sugar industry will be enabled to increase production in the United States, and the farmers of the United States be permitted to grow additional sugar beet and cane crops for the refinement of sugar; and

Whereas such policy would strengthen the farm economy and consequently the national economy of our country; and

Whereas such a change in our Federal sugar policy would help mitigate the persisting shrinkage in our gold reserve; and

Whereas such policy would benefit labor throughout the areas of production and refining, as well as in the areas manufacturing and supplying refineries; and

Whereas this policy would make America independent for a sugar supply as a strategic item in case of international conflict or war; and

Whereas this policy would properly place an agricultural crop in its rightful position in agriculture; and

Whereas this policy would take into consideration the ever-existing reason for America being independent in its natural resources and other commodities consumed in this country, all of which are with equal force applicable to sugar the same as cotton, wool, wheat, meat, or any other product; and

Whereas this policy would allow for greater crop rotation and alleviate to some extent the overproduction in cotton, wheat, and corn; and

Whereas this policy would avoid international entanglements to the extent that foreign countries otherwise will insist upon sugar quotas in the hands of our Federal Government, and they cannot understand favoritism of one over the other, while they can understand the American farmer and producer being permitted to produce the sugar consumed in this country; and

Whereas the \$507 million spent for imported sugar is far out of line with all other imports of other products of the competitive nature; and

Whereas this policy would keep American-produced sugar out of the category of subsidized crops so long as the production was held under consumption and administered in the same way as it has been in the past with the quotas actually given to foreign countries: Now, therefore, be it

Resolved by the Senate of the State of Texas (the House of Representatives concurring), That the U.S. Congress be urged to immediately enact such legislation enabling the sugar industry to increase production in the United States, allowing the farmers of the United States to grow additional sugar beet and cane crops for the refinement of sugar; and be it further

Resolved, that copies of this resolution be sent to the President of the United States, to the President of the Senate, to the Speaker of the House of Representatives of the United States, and to each of the Members of the Texas delegation in Congress.

BEN RAMSEY, *President of the Senate.*

JAMES A. TUBMAN, *Speaker of the House.*

I hereby certify that Senate Concurrent Resolution 28 was adopted by the Senate on March 7, 1961.

[SEAL]

CHARLES SCHNABEL, *Secretary of the Senate.*

I hereby certify that Senate Concurrent Resolution 28 was adopted by the House on March 15, 1961.

DOROTHY HALLMAN, *Chief Clerk of the House.*

STATEMENT OF THE UNITED STATES CANE SUGAR REFINER'S ASSOCIATION,
WASHINGTON, D.C., IN SUPPORT OF H.R. 5463

This supplemental statement is submitted by the United States Cane Sugar Refiners' Association, whose members comprise almost the entire continental cane sugar refining industry. Inasmuch as the distinguished senior Senator from Louisiana—in the interest of saving your time—has kindly consented to appear before this committee as the single witness for the domestic sugar industry, including this association, no time is requested by this association for oral presentation.

The continental cane sugar refiners join the other domestic sugar groups in supporting H.R. 5463. We respectfully urge that this committee give this measure its prompt approval and that it be brought to the floor of the Senate as soon as possible. The present Sugar Act will expire at midnight, March 31, and if it is not extended before that time, chaos will result in the Nation's sugar supply system.

FACTS ABOUT THE DOMESTIC CANE SUGAR REFINING INDUSTRY

The consumption of refined sugar in the continental United States in 1960 was approximately 9,350,000 short tons, raw value, or an average of 97 pounds of refined sugar per person. Approximately 94 percent of this refined sugar was manufactured in the continental United States by American cane sugar refiners and American beet sugar processors. About 23 percent was manufactured by beet sugar processors from sugar beets grown in the continental United States, 23 percent by cane sugar refiners from raw cane sugar derived from sugarcane grown in domestic areas, i.e., Louisiana, Florida, Hawaii, Puerto Rico, and the Virgin Islands, and about 48 percent was manufactured

by cane sugar refiners from imported raw cane sugar. The balance of about 6 percent was manufactured in Puerto Rico and Hawaii (1.7 percent), Cuba (3.3 percent), and other foreign countries (1 percent).

Cane sugar refining is one of America's oldest industries, dating back to pre-Revolutionary times. It is just as much a domestic industry as the beet sugar industry but it must depend on foreign sources for more than half of its raw material.

The continental United States has 20 major cane sugar refineries located principally on the east and gulf coasts, from Massachusetts to Texas, with one large refinery in San Francisco. Smaller plants and distribution stations are operated principally in the South and Middle West. The present value of all these facilities is in the neighborhood of \$500 million. In the last 5 years alone the industry has invested over \$150 million in the replacement of obsolete plant and equipment and the modernization of handling and distribution facilities.

The cane sugar refining industry employs more than 17,500 persons and has an annual payroll of over \$100 million. The industry is owned directly or indirectly by more than 197,000 stockholders. Labor in practically all companies is organized, and in most of the large refineries employees receive a guaranteed annual wage for a minimum of 2,000 hours of employment per year. Wage rates compare favorably with those of other industries in the same areas. The current average earnings for production employees is over \$2.76 per hour. Fringe benefits in some companies add as much as 72 cents per hour.

The industry is a low-profit operation in which the average rate of return on sales is approximately 1.68 percent and the average rate of return on invested capital is 5.72 percent. This compares with a national average of manufacturing companies of about 6 percent on sales and about 10 percent on invested capital. The industry has been operating for some time at less than 80 percent of capacity in a business in which profits are greatly dependent on volume. The industry should be permitted to continue to provide a fair share of the country's growing sugar consumption needs. Any reduction in its present volume of business would imperil the solvency of the industry.

THE REFINING INDUSTRY'S ROLE IN OUR SUGAR SYSTEM

The complex quota system prescribed in the Sugar Act has maintained a healthy and competitive domestic sugar industry and has resulted in stable supplies at reasonable prices to the consumer (see Rept. 1746 of House Agriculture Committee dated June 6, 1960) principally because it has preserved the economic balance between supplies of beet and domestically refined cane sugar.

The domestic cane sugar refiners, as long as they are maintained as a healthy industry, are equipped to take raw cane sugar from any part of the world, refine it, and distribute it to the American consumer in the great variety of grades and packages required. Sugarcane is grown in many parts of the world, and there are numerous areas presently able to supply the domestic cane refiners at modest prices with all the raw cane sugar necessary to supply the refined sugar needs of the American consumer. This has been clearly demonstrated since July 1960. When sugar from Cuba was cut off, raw cane sugar was obtained from other sources, without any interruption of supply or substantial increase in price to the American consumer.

RAW CANE SUGAR AS A FACTOR IN OUR FOREIGN TRADE

Under the present quota system, the raw cane sugar obtained from foreign sources generally comes from Latin American countries which are customers for large amounts of U.S. agricultural and other products. They could not buy these products without the dollars received from the sale of raw cane sugar to refiners in the United States. Exporters of U.S. products have, for the time being, lost Cuba as a customer, but the expansion of raw cane sugar shipments from other Latin American countries will provide new opportunities and markets for our exports. Also, many of these Latin American countries are the very ones whom the United States is anxious to help at the present time.

The importance of these foreign supplies in our trade picture is indicated by the fact that in 1959 the 10 countries then receiving major quota allocations under the Sugar Act (Costa Rica, Cuba, Dominican Republic, Haiti, Mexico, Nationalist China, Nicaragua, Panama, Peru, Philippine Islands) accounted for 11 percent of our total export trade. Our exports to these countries totaled

\$1,904 million whereas we imported from them \$1,438 million giving us a favorable trade balance of \$421 million.

The distinguished Senator from Florida, Mr. Smathers, in his "Foreign Commerce Study" report to the Committee on Interstate and Foreign Commerce of the U.S. Senate (dated April 7, 1960) alluded to the importance of our trade with Latin America when he said:

"Unless Latin America is healthy economically, unless its export earnings are reliable, it cannot be a good customer for the United States. In 1958, Latin America purchased 23.4 percent of all U.S. exports. In the first 9 months of 1959, Latin American purchases declined to 20.8 percent of the U.S. total. Obviously we have an important stake in the soundness and in the continuing growth of Latin economies."

One of the objectives of the Sugar Act is clearly set forth in the preamble, namely, "* * * to promote the export trade of the United States." The act reserves for foreign countries, mostly in Latin America, a share of the U.S. sugar market and assures their proportionate participation in the increased consumption arising from population growth. It will be noted that the proposed extension of the law, H.R. 5463, provides in section 408(b) (2) (iii) that if additional replacement supplies are to be obtained from any foreign nation without regard to allocations "* * * consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities."

THE QUOTA SYSTEM

For many years before the present quota system was adopted the entire sugar industry was in dire circumstances and nobody wanted to invest any new money in such a depressed business. The quota system placed our sugar economy on a controlled basis—as is the case in most of the economically developed countries throughout the world—and enabled the entire domestic industry, both beet and cane, to survive. Under this regulated system, all segments of the industry had to sacrifice certain of their rights for the benefit of the whole. Cane refiners no longer could purchase their raw material in unlimited quantities from any source. The beet sugar industry was limited in its products and marketing to its then share of the market plus a share of the growth. Under later provisions, it received a larger share of the market and a larger share of the growth. Cane refiners received protection by virtue of a restriction placed on the amount of refined sugar that could be brought in from offshore areas. Domestic beet and cane sugar growers received compliance payments supported by an excise tax on the entire industry.

CONCLUSION

The existing sugar program—which combines quotas, excise tax, grower payments and tariff—has worked well. It has protected the interests of consumers and the domestic industry and has promoted our foreign trade. The system should be preserved and continued.

STATEMENT OF O. R. STRACKBEIN ON BEHALF OF THE TEXAS SUGAR BEET GROWERS ASSOCIATION RE SUGAR ACT EXTENSION BILL (H.R. 5463)

H.R. 5463, already passed by the House, proposes the further temporary extension of the Sugar Act for a period of 21 months, or through the year 1962, in its existing form.

The Texas Sugar Beet Growers Association wishes to protest the length of the time covered by the proposed extension, for reasons that will be developed in this statement.

The position of this association and of those areas in other States, such as Oklahoma, New Mexico, Kansas, Arizona, etc., that seek sufficient expansion of sugar beet acreage to justify the building of additional sugar mills, cannot be understood without a reference to the existing sugar legislation.

The nature of the present law prevents the expansion of beet growing in small growing areas, or the opening of new areas, because of its method of allotting any additional acreage that may be needed to meet consumption requirements. This outright exclusion of wholly new areas and the virtual exclu-

sion of the small areas results from a provision in the law that requires the allocation of any increased acreage on a historical basis.

In practice this has simply meant that the States that had been producing the "lion's share" of the mainland beet sugar supply when the law was passed, were also awarded the "lion's share" of any additional acreage needed to meet the increasing demand for sugar. This increase resulted principally from U.S. population gains or from sugar beet harvest deficits in other growing areas, notably Puerto Rico and Hawaii.

Thus, if a State, on the historical base used as a guide, had 100,000 acres of beets, whereas another State had only 5,000 acres, an increase in total U.S. acreage of, say, 25,000 acres, would find 20 times as much of this increase going to the State with the 100,000 base acreage as to the one with the 5,000 base acreage.

No State that was without acreage during the base period could obtain a single acre, no matter how much additional acreage might be distributed among the old growing areas. Two such States; namely, Arizona and Oklahoma, both of which are capable of growing sugar beets successfully, have been excluded from any acreage allotment because of the character of the present Sugar Act.

Texas and Kansas are two States that had only a relatively small acreage when allocation of the proportionate shares was made under the Sugar Act. Therefore their expansion of acreage was severely limited. A 1-percent increase in an acreage of 2,000 acres, which is the approximate Texas beet acreage, would mean only 20 acres. At this rate it would require nearly a hundred years to double the acreage, and several hundred years to expand sufficiently to support a sugar mill of its own.

There have been two sources of expansion of acreage. One has been the so-called growth factor, resulting from continental population increases. The per capita consumption of sugar is very steady and stable, and amounts to a little under 100 pounds per year. Population increases in absolute numbers have been quite sharply upward. From 1950 to 1960 the population of this country rose, roughly, from 150 million to 180 million, or by 30 million.

The share of the United States in the increased sugar consumption is 55 percent; but this includes Puerto Rico and Hawaii. Sugar beet participation is about 22 percent. Therefore, of an annual increase of some 150,000 tons in the amount of sugar consumed in this country, about 33,000 tons would accrue to the domestic beet growers. At $2\frac{1}{2}$ tons of sugar per acre, this tonnage would call for slightly over 13,000 acres of additional beets.

To counterbalance this theoretical increase, however, must be set the rising productivity in the growing of sugar beets. Both the output per acre and the sugar content per ton of beets has been increasing. This combination of increasing output per acre virtually absorbs that part of the annual increase in consumer demand that is allocated to beets on the 55-45 split of the growth factor.

The upshot is that the "growth factor" of itself is not sufficient to justify beet acreage expansion in any significant degree, at least so long as the split remains at 55-45. Even if the total growth factor were awarded to the United States (including Puerto Rico and Hawaii), the amount allocated to beets per year would be increased by less than double (i.e., as 45 is to 55), or nine-elevenths. This would add nine-elevenths of 13,000 acres per year, or between 10,000 and 11,000 acres.

The other source of expansion of domestic beet acreage has come from the deficits of Hawaii and Puerto Rico. In 1960, the total outside deficit was 558,000 tons, of which 426,700 tons was prorated to the domestic beet sugar area and 131,300 tons to mainland cane areas.

These deficits in terms of acreage, at $2\frac{1}{2}$ tons of sugar per acre, should have required 170,400 additional acres, not, indeed, above the 1959 acreage, but above the original mainland beet acreage before the Hawaiian and Puerto Rican deficits began some 5 years ago.

This increase in acreage from deficits would have made it possible to expand beet production in the smaller areas, such as Texas, Kansas, and the Dakotas, and in States with no acreage, such as Oklahoma and Arizona; but this was not done. The reason lay in the prorating of the acreage on a historical basis.

It is true that "new growers" were awarded 95,000 acres as against 65,000 acres to "old growers"; but the "new growers" were those in the old areas that had the large historic base that automatically received the lion's share. No new grower in a State that had not grown beets could be accommodated; and

old as well as new growers in the States with only a small historic acreage, were left out in the cold with a few small crumbs.

This was not the fault of the administrators of the Sugar Act but of the law itself.

The Sugar Act thus has a built-in monopoly feature that should be removed from the act. The historic formula lacks flexibility; it fosters stagnation and prevents the extension of beet sugar production to areas that may be found to be more productive than some of the existing areas. Virgin lands in areas of high fertility as in the Texas and Oklahoma Panhandles and eastern New Mexico, cannot be brought into production. It is almost certain that the Sugar Act, as it stands, has the effect of restraining competition by strictly limiting the production to existing areas and then, again, limiting the smaller areas by a proportionate share formula that effectively stunts their growth.

It will be said that acreage control has been lifted with respect to sugar beet production; and that is true, so far as 1961 is concerned. It is said further that there is nothing to prevent anyone from growing sugar beets to his heart's content; and that is true so far as legal restrictions go; but as a practical economic matter this open road is, of course, pitted with snares and risks that no investor on a large scale will wish to take.

It requires some 3 years to build a sugar mill, counting the time needed to make surveys, etc. Anywhere from 20,000 to 40,000 acres of beets are needed to justify a mill; and the mill itself will cost some \$12 to \$15 million.

If acreage controls were removed for a 1- or 2-year period without question of reimposition during that time, venture capital would be free to go where the surveys, including questions of marketing, would dictate. Under present circumstances, however, it would seem very risky to undertake a development that would commit millions of dollars to an enterprise that might find itself after a year or two, before or even after completion, confronted with reimposition of controls that would deprive it of its needed supply of raw products, in this case, sugar beets.

The investor must have a reasonable certainty that after 3 years of preparation and building, his supply of sugar beets would be assured. If the rug could be pulled out from under him because acreage control were reinstated, he would be faced with a complete loss.

So far as the Texas-New Mexico-Oklahoma area is concerned, the need for two or three mills is obvious. At the present time growers in Texas and New Mexico must ship several hundred miles, to the nearest mill in Colorado. Freight charges are uneconomical; and growers cannot utilize the pulp for cattle feeding for which it is well suited. Also, the Colorado mill capacity is already loaded and, according to reports, cannot absorb more beets from these faraway areas.

This aspect of the problem, i.e., making possible the venture of capital into new beet sugar mills, is one of assurance that at a pre-scheduled time, i.e., when the mill is completed, the beets will be on hand for processing.

This is a real problem, but only because of the operation of the present Sugar Act. It is not only a question of the possible blockage of acreage development by reimposition of acreage controls on a historic basis. It comes from the fact that even if a sufficient acreage could be granted for supply of a new mill, this acreage could not be planted immediately but must be held for 2 or 3 years. The beets would only be planted at a time to make their harvest coincide with the opening of the completed mill.

Nevertheless, even though the acreage could not be put in beets immediately, a legal claim to sufficient acreage must be assured ahead of time so that it could be planned at the proper time. This might mean the accumulation of acreage claims over a period of 3 or 4 years without actual planting. Meantime, existing areas, where mill-capacity would permit it, could supply the beets needed to fill the national quota; but they would have to relinquish this acreage as the new mills came into operation. This might, of course, be strung out over several years, so that the growth factor, suitably enlarged beyond the present 55-45 formula, could come to the rescue of the old mills. They might still have to fall back to a lower percentage of capacity of operation; possibly from 100 percent to 90 percent; but the cutback would be minimal and would not last long.

In any case such concessions are the only way of introducing flexibility and overcoming the objectionable monopolistic features of the operation of the present law. It should be noted that in recent months the oil import quota, administered by the Department of the Interior, was reopened, so that shares could be re-allocated, and new importers admitted. The historic formula was relinquished in favor of one that took other factors into account.

The foregoing is all based upon the present international quota system under which domestic sugar production is limited in keeping with a formula that shares the market with imports.

A change in this policy, not of sharing the market, but of favoring greater domestic expansion, through a recasting of the quota percentages pertaining to each country, would greatly facilitate the development of new beet areas in this country without disturbing the old areas.

The objection to this is twofold. One is the factor of international relations; the other, the factor of marketing additional beet sugar in this country.

Unquestionably the United States is capable of producing efficiently and economically much more sugar and a higher share of our national consumption than now is produced. Our principal supplier from the outside, namely, Cuba, would be economically happier if she could move away from abject dependence upon sugar as a source of national income. She has made many unsuccessful efforts to do so, indicating that it must be done from the outside. A shift of a third of the Cuban quota to the United States permanently would have the undoubted virtue of helping Cuba to throw off her one-crop economy. At the same time it would permit the utilization of land in this country that is now in surplus, withdrawn from cotton and wheat and other crops.

Not only would the beet sugar be refined here, as is most of the Cuban sugar normally, but labor would be employed on our farms in planting, cultivating and harvesting beets and also in processing. Unquestionably the income thus produced domestically would create a better market for farm machinery, fertilizer, food, drugs, clothing, automobiles, etc., than would a similar amount of sugar production in Cuba. Moreover, local taxes for schools, roads, etc., and Federal taxes, would greatly exceed the amount collected from the mere refining of imported sugar.

As for the marketing objection: the introduction of more beet sugar would undoubtedly upset the status quo to which even existing beet sugar processors, no less than the cane sugar refiners of the East, have become accustomed under the present law, with its monopolistic features. However, the breaking up of monopolistic practices when followed by private industry has never been regarded as a reason for not disturbing any particular status quo. In fact, the disturbance of the status quo is specifically involved. Where monopolistic practices are promoted by an act of Congress, the disturbance of the status quo which would have the effect of introducing more flexibility than now exists, can hardly be urged as an objection against the disturbance.

If sugar is compared with some of our other crops, notably cotton and wheat, sugar comes off an easy second best. Both raw cotton and wheat and wheat flour are strictly protected by import quotas. Only a very small percentage of the domestic market may be supplied by imports.

Yet sugar is an essential product no less than cotton and wheat; and it is readily grown in this country economically and efficiently. The cost is somewhat higher than in Cuba and other areas; but this is also decidedly true of wheat and cotton. In order to export these crops we subsidize them from 30 to 35 percent because our domestic price is higher than the world market.

Wheat and cotton are grown in great surplus and have created most difficult problems of disposal. The expansion of sugar production would help to correct some of the balance.

At the outset, the element of time was mentioned. This is very important.

The House Committee on Agriculture has, since 1935, stated a policy of helping new beet areas to obtain acreage, but the policy has not been implemented. Nothing has in fact been done to change the Sugar Act in this direction. A year ago an emergency act was passed. The claims of the new areas and the small areas, excluded by the Sugar Act from natural expansion, were held in abeyance with assurance that action would surely be taken in early 1961. Thus 1 year has already been lost.

Now, in effect, 2 more years are to be lost, for a 21-month extension would carry us through 1962.

Surely, with the ground covered in previous hearings, there is no good reason why Sugar Act amendments could not be considered and carried to the floor of Congress in a matter of 3 or 4 months, i.e., during the present session.

Every spring that passes loses another year and postpones by 3 or 4 years the day when many thousands of idle acres might be planted to sugar beets. Yet there could be no more appropriate time than the present to recast the offshore import quota system since it has been completely disrupted by forces outside of the sugar legislation. The time is opportune for doing what should have been done 10 years ago or more.

STATEMENT OF SENATOR RALPH W. YARBOROUGH ON H.R. 5463 (MARCH 27, 1961)

Mr. Chairman, the thousands of American taxpaying citizens in the farm areas of wheat, cotton, and other controlled crops, who have been forced from drought to develop, at their own financial risk and cost, underground irrigation water, need and desire to produce a portion of the sugar that they and other American people consume—which, under present law and the proposed 21-month extension, must be purchased from foreign countries.

These citizens believe that this 21-month extension may very likely result in no permanent legislation that would give them the right to produce beet sugar even at the end of that period, and that we may well find ourselves in the same place in 1962 as we were in 1960, when, early in 1960, as well as in the short session following the conventions, they were promised that permanent legislation would be passed by the 1960, and again by the 1961, Congress, before the deadline of March 31, 1961.

This extension of 21 months if passed, will very likely delay, by another 2 years, new producing areas from starting the construction of refineries, the building of which will take 2 years—thus, they would be 4 years further away from production.

A permanent law needs to be enacted during this Congress. Arguments to the contrary will have the effect of postponing consideration of increasing the domestic production of sugar.

Logical reasons exist in favor of our country producing sugar. From the standpoint of independence from foreign sources, we need production, not only in the event of international conflict or war, but, as has been established by the Cuban example, in time of peace as well. Certainly, it is a good step in the right direction: it would aid in solving the unemployment situation; it would strengthen the farm economy considerably. Thus, the national economy would be helped, and the solution would help balance our gold reserve, and strengthen our economy.

The State Department and the Department of Agriculture, representing the Administration, both testified on March 27 that we need a permanent Sugar Act at the earliest possible moment, and that, if it could be written in a short time, they were in favor of doing so. The industry has likewise indicated the necessity of a permanent, Sugar Act, as contrasted to mere extensions. It is of utmost importance to the new growing areas, which should have the right to participate in the production of sugar, that this be accomplished without delay.

Failure to write a domestic sugar-beet producing section into the law now will kill the chances of the American farmer for immediate participation in this program. The domestic associations, representing more than 10,000 farmers and prospective producers from Texas and other States, plead for action now—that is, before March 31—and they have every confidence in the ability of this committee and the Congress to produce an equitable bill for the taxpayer and farmer of the United States.

They believe that American growers should have priority rights in seeking an equitable solution.

Delays in facing up to the proposition of the American farmer producing sugar, cane and beet, complicate the consideration of all matters pertaining to the U.S. sugar law. When all foreign countries are heard, those who are favored may temporarily feel good, but we have not made friends with those whom we may deny the right to send sugar into the United States. No foreign country on the face of the globe can be critical of the United States for saying to them and to the world that this Government will, by this act, give increased sugar quotas to its own citizens who desire to produce, grow, and manufacture sugar consumed by them and their fellow Americans.

Farmers and producers prefer for this Government to protect their interests in the importation of sugar.

U.S. domestic increases in sugar production would alleviate several serious problems of overproduction of farm-produced grains; lands now used to produce grains could more profitably be used to produce sugar.

If we are to be realistic and helpful to other countries such as Cuba—should she be able to overthrow her Communist government—we will, through other sources enable her to be self-sustaining in a good, sound agricultural policy. Such action would offset Cuba's being wholly dependent upon sugar exportation.

The exodus from the farm to the city, adding as it does to increased unemployment, is a serious matter, and the small American farmer, particularly the

tenant farmer, faced today with the problem of survival, should be given immediate help. We should not postpone for 21 months, or any other unnecessary length of time, in the consideration that we give to this problem.

The CHAIRMAN. You may proceed.

STATEMENT OF JAMES W. WITHERSPOON, TEXAS SUGAR BEET GROWERS ASSOCIATION; ACCOMPANIED BY H. L. BENEFIELD, OF HEREFORD, TEX.

Mr. WITHERSPOON. Mr. Chairman, the matter of the 21-month extension is the thing that we are interested in. As Senator Long referred to it as being almost a permanent act, and it seems to us that that is more or less what it is. Honestly, we are afraid of this 21-month extension for several reasons.

First, historically, let me say that this organization, the Texas Sugar Beet Growers Association, now has a membership of approximately 10,000 people in the west Texas area from Dell City, Nacogdoches, and Texas City south on up to the Oklahoma line, that are interested in this legislation.

Now, they have been coming up here now for about 15 months.

Prior to that, in the year 1955, some assurance by some Members of Congress was given to them that there would be some legislation to take care of new areas where you can grow beets, and where people want to grow beets, but from 1955 to 1960 nothing was done.

Of course, there was plenty of time to work on a permanent law somewhere along there. But in January of 1960, when we came up here, we were led to believe that before Congress recessed for the convention that year, hearings would be held, and we would be given some consideration.

Well, you will recall what took place.

We were here, we have been here—someone has been here practically all the time for these past 15 months, some representatives of this organization.

The joint resolution that was referred to this morning was passed, I believe it was 8:30 Sunday morning, almost, before you adjourned, says that as soon as Congress reconvened following the convention, that we would again get to work on a permanent sugar law. At that time, also, I believe, this 90-day extension to March 31 was passed by the joint resolution.

We were here when Congress came back after the recess—

Senator BENNETT. Mr. Witherspoon, just for the record, there was no joint resolution passed. This bill, the bill as it existed then was extended to expire March 31, and in the report of the conference was contained the statement that the House Agriculture Committee would bring up a bill again during the August session.

Mr. WITHERSPOON. Yes, sir. It was my understanding that the conference, or whatever you call it, that it was stated in it that immediately upon reconvening it would be taken up, and work started toward a permanent Sugar Act. As I say, we were here. This is the first opportunity that we have ever had to come before any committee of Congress as such in any public hearing.

Senator BENNETT. Just let me finish with the record.

The House did come up with a bill in August. The purpose of that bill was to widen the powers of the President. It was not to get into the question of quotas. So, in effect, the House lived up to its promise, there was a sugar bill in August.

But since we only had a few days in August to work on it, there was no opportunity to get to this basic problem.

Senator LONG. And plus that we then proceeded to do what the administration asked us to do in the Senate, with the result that we got no sugar bill. That is what happened. But the House did send us a bill.

Senator BENNETT. They sent us a bill, we will have to admit that.

Mr. WITHERSPOON. We asked for permission to be heard, and we understood that we were going to be given permission, we as well as all the new growing areas in the country. We have never approached this on a selfish basis from the standpoint of Texas alone. We have asked for the farmers through the area, cane and beet, wherever they may be, that produce sugar, be given consideration in that direction.

We have been here, we have been here constantly. We were told then later before Congress adjourned in 1960 that we would get to work on it the first of the year. The first of this year has dragged along, and although we have requested to be heard, our Congressman from our section, New Mexico, and other States have asked to be heard, and in connection with this there have been no hearings, there has been no good faith. There has been nothing done permanently toward writing a permanent Sugar Act, as I can see.

The only thing has been now with respect to a 21-month extension. We figure that at the expiration of this 21 months there still may not be a permanent Sugar Act, and we would then be faced again with another extension. Whether that be right or not, we do know this—we have confidence in this committee here, this Finance Committee, and we believe that they can write a sugar law. The Secretary of Agriculture, Clinton Anderson, when he occupied that position, wrote this law, had a lot to do with it. We feel that he can write a Sugar Act. We feel that it can be done in 90 days. If it cannot be done in 90 days by the House Agricultural Committee before the adjournment, or prior to the adjournment, then if this committee here can extend it 30 or 60 days, we can cooperate in that thing, and we can get a Sugar Act.

The complications of it that are referred to we fail to understand from the explanation of this sugar law this morning: Everyone who has spoken about it says it is a matter of control, production, a matter of quotas for production and sale in this country, and of quotas for importation and sale out of this country.

It is just as simple as that.

Someone may say, "Well, we have got to hear all of the foreign countries who want to talk about this thing before these committees."

Maybe that is true, that we have to. It may take a week or a day. And if they can get through their testimony we have here today, if they can testify as fast as the people who appeared here today have, it isn't going to take any 9 months or even any 6 months to have an extension.

We appreciate that the only thing before you today is the extension on this thing, how long should it be extended. As we understand the testimony today and from everybody whom we have talked to, the industry wants a permanent Sugar Act. You want a permanent Sugar Act. It seems like if it is the thing to have, to have a permanent Sugar Act, then we should get busy and have it as soon as possible.

Senator LONG. Here is part of the problem, though. I would like to see a Sugar Act written for all eternity right now if it were possible to do it. But this Nation historically has purchased more than a third of its sugar from Cuba.

Now, we don't know what the situation in Cuba will be in a couple of years from now. We are writing an act now that is based on the assumption that we don't know what this country is going to want to do in regard to its attitude toward the Dominican Republic where we buy a great amount of sugar. And unfortunately from an international standpoint, from the administration point of view they will not be in a position to commit themselves as to what they want to do in a permanent act. And that is why we have the situation we have here of a short duration act.

But the Cuban situation could change back around to where the Government there was friendly, and you know that the pressure would be on this Government to resume large-scale purchases from Cuba. And with the fluid situation that we have, where the administration does not know what it wants to do about the Dominican quota, we can't arrive at a permanent act, as I can see, because there are too many unpredictables that you can't fill in.

Mr. WITHERSPOON. Mr. Long, we are absolutely convinced that if they ever enlarge the sugar business insofar as the American tax-paying voter is concerned in this country, it is going to have to be at the hands of the U.S. Congress, the Senate and the House of Representatives, that represent the people.

We believe that. It is true we do not know what will be done in Cuba 21 months from now. I do not know myself in reading the papers any single nation on the face of the globe that is under the domination of Russia that has ever gotten out from under that situation short of war.

Senator LONG. Yugoslavia?

Mr. WITHERSPOON. I don't know what that means here—

Senator LONG. Yugoslavia, west Austria—that is, east Austria and Yugoslavia, wouldn't they be exceptions? South Korea;

Mr. WITHERSPOON. We had a war over in South Korea, as I recall.

Senator LONG. But east Austria and Yugoslavia are not under direct Russian control.

Mr. WITHERSPOON. I don't know which way they lean mostly.

But the point I am trying to make is this—

Senator LONG. How about Guatemala, wouldn't you say that that would be an exception to your statement?

Mr. WITHERSPOON. I don't think Guatemala has ever been as far as Cuba has been.

Senator LONG. Castro thought enough of the kind of government they had down there in Guatemala to name one of the first American mills he seized the Guatemala mill. So I would say that the judgment

of Castro is that the Government of Guatemala is under his banner, wouldn't you?

Mr. WITHERSPOON. Quoting Mr. Castro further, he says that the United States Sugar Act has enslaved his people, and if I understand his reason, he says that is the reason they are communistic today, that they are in the position they are in today, because it enslaved his people.

Now, I am quoting Mr. Castro, he has made that statement a number of times.

Senator LONG. I was under the impression, and I believe this is correct, that that was a communistic takeover in Guatemala, and Ahbends and that group—

Mr. WITHERSPOON. I didn't recall that Russia was furnishing them arms, buying products from them, and so on.

Senator LONG. It hadn't gotten as far as the Cuban situation, but it was my impression, and my best information, that it was communistic.

Mr. WITHERSPOON. Senator, you would know more about it than I would, of course.

It does seem to me like possibly, from the study that we have made and the research that we have had done for us, that if we wanted to help Cuba, if we ever have the opportunity to keep her on our side instead of going in the opposite direction in the manner about which the discussion has turned here, the way to do it would be to help her do what some of the former governments in Cuba have tried to do, and that is get a more stable farm economy in the country with rotation of crops, rather than planting the same crop year after year, cane sugar. And possibly we would be doing Cuba a favor and the people in Cuba a favor and Cuba's Government if we cooperated in those respects and purchased less sugar from her in the future than we have in the past, and make her more independent, where she is not depending upon sugar as much as she has been in the past.

Let me call your attention to this a little bit, if you will, please, as a little background to those people who are interested in this thing that we do speak for today.

This example applies pretty well, I think, throughout a number of sections of the country, probably. But we have found in the last 10 years here—we have had two drought periods since the early 1930's, of about similar duration, and we haven't heard as much of the last one in 1950's as we did back in the 1930's when President Roosevelt first took office. But, through necessity, the farmers of that area have expanded their underground water, they have drilled their own wells and paid for their own pumps. That has been expanded now to where we find, according to a recent survey that was made by a group out of New York City in cooperation with a group in Dallas who were interested in building mills, sugar mills, that from the southwestern part of Kansas through the western part of Oklahoma and western Texas that we could produce in good farming practices as much sugar—more sugar, more sugar than we have purchased from Cuba each year annually, we could produce that much more annually.

Those people are setting there under this position. This one county gives a good example.

Ten years ago we had 450,000 allotted acres of wheat. This year we have 190,000. That is how much it has been cut down. Ten years

ago we had 10,000 acres, allotted acres of cotton—20,000. Last year we had 10,000 in the one county. Those people are relegated to other crops. And what is it in our country, and all this vast section? It is milo maize. And with the cost of irrigating and growing milo maize, with the support price that we have for it, it is not a very profitable crop. And specially insofar as the tenant farmer is concerned, he finds that each year, one after the other, he is a little further in the hole, if he doesn't have cotton and wheat acreage, and eventually he has a foreclosure and he is out of business. We don't think that is good for the farm area of that section or any farm area of the country.

We don't think the exodus of the farmer to the city is good, because we will have unemployment. But we do think that if we were given the right to produce more of the sugar that we grow, that we consume in the United States, that the farmer eats and his family eats, that if the farmers were given that right, we would be stronger in this country, that our farm economy would be strong.

And when the farm economy is strong, the national economy is strong, and that is what we would like to see done.

And we think it is important enough that it ought not to be put off 21 months.

If we have this 21-month extension, if the people in these newer areas have to wait 21 months before they can construct the mill, before they can start producing, it will be 4 to 5 years. If we had a law now, it would be 2 years, because it takes 2 years to construct the mill, approximately 2 years. So we would be 2 years that we would be buying this sugar from the foreign countries, we would have the pleasure of doing that for 2 years if we started now to try to help the American farmer.

If we put this off, consideration of this bill for another 2 years, it will be 2 years counting the first 3 months in this through 1961, and then we are just 2 years further away from that condition and that position than we would be if we tried to get something done now.

I am asking you gentlemen to try. I don't know what you can do with the House Agriculture Committee, it may be that we have no power in the Senate to control the situation, that we have to take whatever they give us, and just take it that way.

But I believe that the men here on this committee are qualified to deal with those people, to show them the importance—if I have failed, and Mr. Benefield, president of our association, has failed to point up the importance of it, and our Congressmen and our Senators from our State have, we believe that there are people in Congress who have the leadership and the ability to lead, and get this thing done, if it is good.

And we say that every reason in the world exists for this being a good philosophy. If it is good for us in this country to produce any one commodity and be independent in our production of it, if it is wheat, cattle, strategic material, or anything else, the same reasoning will apply to sugar just as well as to cotton, wool, or anything that we produce in this country or we consume in this country.

We certainly want—we are here today to appeal, I might say, for your consideration in trying to get this job done, that everybody wants done, and that is, a permanent Sugar Act.

We are hoping and praying that in connection with that permanent Sugar Act we will be given some relief, that we won't be put 2 years further down the line, 4 years altogether.

Questions have been raised this morning by someone concerning subsidies of this crop. The subsidies, direct subsidy from the Government has been about \$2 an acre—\$2.20 a ton. The freight rate that we pay, 350 miles from Hereford, Tex., to Rocky Ford, is about \$3.85 a ton. Those men in our area who have been growing that 1,900 and 2,000 acres of beets for 16 long years and shipping them to Rocky Ford, Colo., would be willing to—you could forget all about that Government bonus or Government payment to the farmers as far as we are concerned, we can grow the sugar and never expect you to pay a dime, if the sugar price remains like it is, if the payments for the growing remain as good as they have during this past 16 or 20 years.

Senator BENNETT. Mr. Witherspoon, I don't think you want to let that arithmetic stay in the record. Where did you get your figures of \$2.20 a ton?

Mr. WITHERSPOON. The grower who is the biggest grower in the State of New Mexico, Mr. Benefield, receives the statement from the Government, and I am quoting him on that.

Senator BENNETT. That is \$2.20 a ton for sugar.

Mr. WITHERSPOON. That is the beet, that is the beet tonnage that is shipped.

Senator BENNETT. That is the payment from the processing tax to the grower?

Mr. WITHERSPOON. That is right.

Senator BENNETT. But that isn't the subsidy, that tax is collected from the processor and turned around to the grower.

Mr. WITHERSPOON. That is the only subsidy payment that is made by the U.S. Government direct.

Senator BENNETT. The Government is just a channel through which that passes, the Government—the taxpayers, the general taxpayers do not pay that, the beet grower does.

Mr. WITHERSPOON. That is true, the beet grower himself really pays it, the industry pays it, the refiner, right.

Senator BENNETT. The refiner pays it?

Mr. WITHERSPOON. Yes.

Senator BENNETT. And it is added to the cost of the sugar, so the consumer pays it.

Mr. WITHERSPOON. The consumer, I suppose.

Senator BENNETT. And it is channeled in and out of the Treasury with a profit to the Treasury.

Mr. WITHERSPOON. But we would like to give that to the U.S. Treasury and have them keep it if we can grow the beets, is what we are saying, on the same structure as now. Everybody in Texas now says the same thing, and the New Mexico and Oklahoma boys, they would like to give that to the U.S. Treasury.

Senator BENNETT. Are you saying to us that you would like the act changed so that no money out of the processing tax goes to the grower?

Mr. WITHERSPOON. I say if you will give us a refinery or a quota for a refinery where we can have a refinery in Texas, we would be happy to do that. We would be better off, because it costs us more than that to ship it 350 miles. And, besides that, those poor boys in

New Mexico that grow that 800 acres of beets that they have been growing now for 16 or 20 years, they may have had 0.8 of an acre increase a few years along in the whole State of New Mexico, but they have come all the way from Albuquerque to 40 miles this side through Hereford to Rocky Ford, a distance of about 550 miles, to their processing plant. That is where they go.

And we are asking that we be permitted in a cooperative program, if you can work out where it will be beneficial to the Treasury, as Senator Douglas states, or somebody, if at the same time we can just be afforded the right to produce sugar and mill it, refine it in this country, sell a little of it in Texas—we consume about 450,000 to 500,000 tons in Texas each year, and that 1,900 acres will amount to about 4,000 tons that we get to produce in that State—we would like to sell some sugar in the State of Texas that is grown in the State of Texas.

When we get to thinking about what it will do for the economy, as someone mentioned, I would like to call your attention to this. This may be somewhat different than it would be with cane refineries, because as I understand cane-refined raw sugar here, is 94 percent pure or something like that, that is, it has been partially refined when it gets here; I don't know how many employees run one of these cane refineries on this imported sugar.

But when you grow that sugar here, cane or beet, it is a different situation, as I am sure Senator Ellender would know, because there you employ a lot of people in peak season, your farmers employ people, you add considerably to the employment, you would add in a community where we might have a refinery now on, say 40,000 acres of beets, you would add something like \$20 million in that community.

And the economists have worked with us and studied this thing as to what would be good for this country—and we are Americans and we want whatever is good for our country—and they have shown that that dollar turned loose means several when it has gone around to your grocery men and your oilman, and to turn \$20 million loose means more than just \$20 million. It means several times that much. And it means this, with the Treasury being the beneficiary on income taxes, and what-have-you, it means more.

As I see it, from the standpoint of what would be good for this country, it would be better to do that than it would be for us to spend it somewhere else.

Now, during this same period of time since 1955 we have been trying to get some rights to grow some beets in areas where we have got a historical basis. We have been growing them for so long, since 1948 at least, we have been growing beets in and around the county where I live—Mr. Benefield has been shipping, as I said, to Rocky Ford for 16 years.

We find that the Export-Import Bank, the Development Loan Fund, the International Cooperation Administration, the Inter-American Development Bank, the International Bank of Reconstruction and Development and its International Finance Corporation functions of this Government have by loan and so forth encouraged and helped foreign countries not only in buying this sugar in some section, as the Sugar Section of the Agricultural Department has done, but also in getting them into the business, loaning them money

to help them build refineries and add to their refineries, and getting them into the sugar beet producing business—not beet, but cane, cane, I mean, pardon me. And at the same time—and those figures have been for 1957, 1959, 1960, 1961, and the years through there since 1955. We have not even been permitted to go do it ourselves and spend our own money, as we have in irrigation wells, and build our own plants without the Government loaning us a dime, we can't do it, we can't do it under this law.

And we want to do it. If one of the beet companies—and I do not understand or do not know whether there is any interlocutory interest or stockholder interest between cane and beet refineries or not, I haven't ever gotten to that and don't know and can't say. But we would like for them to build it, if they don't want to build it let us build it, just give us an opportunity, give us a law that we can live under, give us a law that we can go forward in. Give us a law that will allow us to have more independent communities in farm areas in this country and help us, let us make better American citizens and independent citizens in this country.

In my hometown, we think that if a man supports his wife and his family and his kids he has added something to that community. And I say the same principle applies to the United States of America, if we take care of our own self, if we take care of our own people here and give them the opportunity, we will have more, we will have more stature in the world of nations today than we would if we don't do that and we find ourselves weak in any phase of the national economy, farm or otherwise.

I filed with you here this morning a rather short talk on this, about nine pages. I am used to, when I have the opportunity and am called upon, to make about an hour-and-a-half talk, and then still not have time enough to cover the subject.

(The statement referred to is as follows:)

STATEMENT OF JAMES W. WITHERSPOON FOR THE TEXAS SUGAR BEET GROWERS ASSOCIATION, MARCH 27, 1961

The approximately 10,000 underground-water irrigation farmers of west Texas, southwestern Oklahoma, and eastern New Mexico are most appreciative to have this opportunity to be heard for the first time before any committee interested in sugar legislation, which we believe is one of the most important phases of legislation to be dealt with by this Congress.

EXTENSION OF THE ACT DELAYS THE TIME WHEN NEW MILLS CAN BE CONSTRUCTED TO HANDLE ACREAGE OF NEW GROWER AREAS

New growing areas have heretofore been unable to receive consideration in Congress for the expansion of domestic sugar beet production and refining. Favorable consideration was promised in 1955, when the present act was passed. Early in 1960 we were assured that a permanent Sugar Act would be enacted in the early part of 1960 which would give consideration and relief to new beet growing areas. This committee will recall that when Congress recessed for the conventions in 1960, by joint resolution it provided for the holding of hearings and passing of a permanent act immediately upon the reconvening of the Congress.

We understood after the new Congress convened in 1961 and before the expiration of the 90-day extension, hearings would be held and a permanent law written. New growing areas again have been disappointed, and we are now faced with the action of the House on March 21, leaving only 10 days remaining for Congress to pass a permanent law. New grower areas are fearful now that a 21-month extension may well mean that: (1) they will be 1 or 2 years further

delayed in a permanent act that will enable them to build mills so they can start production; and, or (2) at the end of this extension, still another extension may be enacted without providing for them.

We are told that 21 months are necessary to gain the information for writing of a permanent Sugar Act. We are told by others that this length of time is unreasonable. An extension will further delay and hinder a great segment of this country in producing and refining a greater portion of the sugar consumed in this country. All areas where irrigation and sunshine exist are interested, these being the only two essentials for the growing of the beet crop from which sugar is extracted.

We are told that we must hear testimony and arguments from foreign countries desiring to sell to us. They have been around for some time now. We understand that the industry and all concerned agree we should have a permanent act instead of a short-term extension, at the earliest possible moment. Likewise, that in all probability it can be done in less time than 21 months. If it is to be done by this Congress before adjournment, it should be done within the next 4 months. If the American farmers and the farm economy of this country are to be recognized in the halls of Congress as having a right to participate in the production of a commodity consumed in this country, considering that it will take approximately 2 years to build refineries, definite steps should be taken as soon as possible, to assure these areas that they can start producing beets when their mills are completed.

If this law cannot be written within a relatively short period of 3 to 4 months, we have confidence in the Senate Finance Committee and the House Agriculture Committee, cooperating, to extend the time for hearings for an additional 30 or 60 days, if necessary, to finish the job.

SIMPLICITY OF THE ACT

Some statements have been made to the effect that the law itself has so many ramifications and complications that a permanent act cannot be written in a short time. Those in the House and Senate familiar with the act would refute this misconception. These statements may be inspired to deter or "scare off" consideration of this law and to fool the American public into believing that it is impossible to amend the Sugar Act to take care of new growing areas and new mills. The House and Senate Members will refute these misconceptions. In truth, the law is one simply to bar overproduction. It is a case where production is less than consumption, and the consumer price is stabilized. It involves the granting by this Government of quotas for the "right" to produce and also to import the sugar that is not permitted to be produced within this country.

Many changes have taken place which require a new consideration of the basic provisions. The law protects the existing refineries and growers now engaged in production by a system which affords a guaranteed return for the refined product. There is no complication or mystery about the proposition of whether or not we should produce a greater amount of cane and beet sugar, domestically, in this country. The complications and mysteries raised do not exist as such. Sometimes they may be asserted only for the purpose of confusing the real issues.

There is nothing about the sugar law or the enactment of a permanent sugar law at this time that is not now known—and has been known for months and years. Any attempt to avoid consideration of the real issue of granting "quotas" to new mills and new domestic areas is only a postponement of the right of many Americans to be heard before their Congress.

APPROACH MUST BE REALISTIC

Claims have been made that the Sugar Act must provide for "quotas" for foreign imports in order that this country maintain friends internationally. Castro has publicly, on numerous occasions, stated that the U.S. Sugar Act enslaved his people. The masses of Cuba have followed his thinking. It is evident that our favorable sugar law has failed to maintain any form of democratic government in that nation. The Communists are unquestionably in control, with Russia acquiring a large portion of the Cuban sugar on an entirely different basis from the past procedure of this country under which about double the world market price was paid.

With several foreign nations making claims, on various bases, to export sugar to this country, we here face the eventual unfavorable attitude toward this coun-

try when later we select one or more of them with whom we may deal, to the exclusion of the others. Those not receiving what they want will say we favored another. Those same foreign countries will respect our Government when and if we say to them unequivocally that we intend to maintain our farm economy, thereby strengthening our national economy, and permitting the citizens of this country to produce the sugar that we consume. We are not advocating that we should be given the right by law to produce all the sugar consumed at this time; but we do sincerely suggest that Congress should view with equal concern the rights and the demands of the large farm segment of this country desiring to engage in sugar production as we would consider foreign nations which, under the law, should have no "right" as such. The taxpaying individuals of this country should actually have the "rights"; i.e., to produce the sugar consumed.

IMPORTANT CONSIDERATIONS

1. It is readily understood that every argument in favor of this Nation being independent in the production of any commodity applies with equal force to domestic sugar production.

2. In the event of international conflict or war, if we are dependent upon some foreign country as the source of our sugar, there continually exists the possibility of our being cut off from our supply. The only sure solution is that we broaden and expand production within this country.

3. Much has been said about unemployment in this country in recent months. Although employment in the operation of cane refineries of partially refined foreign sugar may not add materially to solving the unemployment situation, the reverse is true of beet sugar refineries. By way of analysis, let us consider a 1 million ton quota of sugar refined in new areas within this country and determine the results of such impact by way of comparison.

One modern beet refinery would cost approximately \$15 million. To construct the mill would require approximately 2 years. Labor would be employed in the manufacture of the plant and in the assembly. When the plant operated, it would employ in peak season approximately 300 persons. It would refine 100,000 tons of sugar from approximately 40,000 acres of beets. There would be many persons employed in growing and harvesting the beets. One operation of 100,000-ton capacity multiplied by 10 would demonstrate that this is certainly a step in the right direction insofar as relief of unemployment is concerned.

4. Expanding production of sugar in this country will materially add to the income and will strengthen the farm economy, and thus the national economy. Extending the example above, one such refinery would pay to the farmers of the area approximately \$12 million annually. The same refinery would expend approximately \$5 million additionally, annually, for taxes, supplies, services and labor. The economists assure us that this annual income, when turned over many times in a community or State, increases the economy many times the original dollar spent. When this is considered in the light of several additional mills and refineries, it is apparent that a great contribution will be made to the farm and national economy which can only result in good to the Nation as a whole; for, as the individual citizen prospers, so does the Nation.

It would mean that with each separate refinery, thousands of trucks and separate pieces of farm machinery would be manufactured, sold, and put into use. The Treasury Department would be the beneficiary, as well as the people.

5. We have been concerned over the persisting shrinkage of our gold reserve. We believe that a change in our sugar policy that would help our farm and national economy would at the same time mitigate this situation. The amount paid for imported sugar from foreign countries in 1960 was in excess of \$500 million. Why should sugar bear the brunt at a time when there exists such a demand throughout the country for an increase in domestic production?

Sugar importation is competitive to farm production. It is in a different class of imports from complementary commodities such as coffee, rubber, carpet wool, and cocoa.

6. We are faced, with overproduction in practically all farm-produced grains. How can it logically be stated to the farmers of the United States that you cannot produce a farm commodity where there is a great underproduction of approximately 45 percent? Certainly, the expansion of sugar production would be a step in the right direction in alleviation of this surplus situation.

THE PLIGHT OF THE FARMER

Although it has not been publicized the Central Southwest section of these United States has sustained during the past 10 years drought equal to that of the 1930's. The people of this area, through foresight and necessity, have developed, at their own financial risk and expense, underground water for irrigation, covering several millions of acres.

Recent surveys have shown that western Kansas, southwestern Oklahoma, west Texas and eastern New Mexico can easily produce each year by good agricultural practices, more sugar than the annual quota provided by Cuba. At the same time, these farm areas have suffered at the hands of the Government and the agricultural laws of this country, setbacks of the most severe nature. An example in one county in Texas (Deaf Smith) will point this up.

In 1950, the county had 450,000 allotted acres for wheat. Ten years later in 1961 the allotted acreage was 191,000. Ten years ago, the allotted cotton acreage was exactly double what it was in 1960. The expensive irrigation and chemical fertilizers with the depressed price structure of these other crops have been such that it has not been very profitable. Are the farmers in these areas, or any other area in the United States, not entitled to consideration at the hands of this Congress? Should they not be allowed to produce a greater portion of the sugar consumed in this country?

CONFLICTS

Arguments have been made that we should not buy sugar from Dictator Trujillo of the Dominican Republic. It is conceded that we should not buy sugar from Communist-dominated countries, although it is pointed up that sugar from any country may find its way into this country in the world markets. The intrigue in dealings with many foreign countries is the factor that complicates the Sugar Act. The promises of today may not be relied upon tomorrow. It would appear that the State Department with trained personnel should handle the foreign relations questions of this country, separately and apart from the legislative branch, and that it is properly a function of the executive branch to win and keep friends among foreign countries. Neither sugar nor any other commodity should be used as an international football; the American farmer should not be denied his right as a taxpaying individual to participate in production.

It is our thinking that every segment of our national economy should be strengthened; that America at all times should be strong within; that we will better occupy our proper place of leadership in the world by an expansion of our own commodity production. The citizen of any community who is self-supporting has added to the strength of the community. The same principle applies to America as a nation. We might be playing into the hands of the Communists if we fail to keep our farm and national economy strong, our labor employed, and our gold reserve in proper balance.

The American farmer in most instances today is faced with a problem of survival. The exodus from the farm to the city, adding to the unemployment problem, has been noted by you, and is a source of considerable anxiety.

We urge that the Sugar Act be amended to permit new areas, capable and desiring to produce sugar, to commence the necessary preparation to produce and refine, as soon as possible, without unnecessary delays but with speed and dispatch for the overall general welfare of the Nation.

The CHAIRMAN. You ought to come to the Senate and do a little filibustering sometime.

Mr. WITHERSPOON. Senator, I will visit you if you can get me in there to make a speech on this subject some time, I will filibuster for 9 months if necessary.

Senator CURTIS. May I ask a question?

You do not feel that this Senate Committee on Finance has been dilatory or responsible for this?

Mr. WITHERSPOON. No, sir. Let me say to you, this is the first opportunity you have given us—you have given us the opportunity—

Senator CURTIS. It is the first opportunity we have had.

Mr. WITHERSPOON. That we have been asking for—most of our work, let me say, has been in the House, not in the Senate.

Senator CURTIS. Well, earlier in 1960, and again later in 1960, and again now, a bill has not arrived over here in time for this committee to hold hearings and give it the consideration that an important subject like this merits.

Now, I do not—what I am about to say is not to argue with anyone, but I think the record ought to show it. The House of Representatives can pass a Sugar Act any time that the majority leadership of the House decides they want to do it. They do not have to wait for a committee. I served for some years in the House of Representatives and I know a little about their rules.

They do not have to wait for the Agricultural Committee.

Back in 1955 the Eisenhower administration made a request for a 6-month extension of the excess profits tax. The committee to which it was referred did not report it out. The chairman was violently opposed to it, he did not call the committee together, and did not report it out. The leadership directed the Rules Committee to take the bill away from the Ways and Means Committee, and it was brought to the floor and it was passed.

Now, the majority leadership in the House of Representatives does not have to be at the mercy of the chairman of the Agricultural Committee or any other committee.

And since you agree that this committee has not been negligent in our duty, I merely want to tell you that there is a forum that has the legal power to do something about getting the Sugar Act out in time so it can be considered and all the parties have their interests considered in ample time to do it.

Senator BENNETT. You are reminding him that the man who has that power in the House comes from a small State down in the southwest part of the United States called Texas.

Mr. WITHERSPOON. Yes, sir.

Senator CURTIS. And his whip that lines up the votes for him comes from Oklahoma.

Mr. WITHERSPOON. We have talked to him many times.

Senator CURTIS. A fine man.

Mr. WITHERSPOON. And we feel like we have friends over there; yes, sir.

Senator BENNETT. There is another way to do it. They can amend the Constitution to permit the Senate to act first on sugar legislation.

Senator CURTIS. That isn't necessary. But there is a precedent in the House of Representatives for the House to act on legislation that a committee has not—that a legislative committee has not recorded, the precedent that I cited, and also they have over there a petition method whereby 219 members can do it. That is a little bit cumbersome, but happens once in awhile.

Mr. WITHERSPOON. We believe, we are hopeful that you, together with the House Agricultural Committee, can get this job done before Congress adjourns this year. It doesn't seem like it should be such a big job but what it could be done.

Senator BENNETT. That is what we thought last year. But we found ourselves up to the night of adjournment twice without any

opportunity on the part of the Senate to have even this much of a hearing or consider any change in the basic pattern.

Mr. WITHERSPOON. Senator Bennett, let me say that I hope you think this is worthwhile legislation, enough to be done as soon as possible, and that we will try it again anyway.

Senator BENNETT. I have been a member of the Conference Committee as you heard in the discussion this morning. I was a member of the three lost souls who marched over to the House after midnight twice to try and work out a conference with the chairman of the Agricultural Committee. And I don't enjoy these all night sessions. I would rather get some permanent legislation or some legislation that would last for several years, so that we don't have to go through that year after year. But unless something is done to give us the opportunity to get to permanent legislation, we are helpless, as we were last July and last September, and as we are right now.

Mr. WITHERSPOON. I really believe that the people in the House whom they represent want permanent legislation. I really don't believe they realize the seriousness of it. I think possibly that if they were given an opportunity to work on this thing now if they felt they had to do it instead of dilly-dallying around about it, so to speak, I believe they will go to work on it.

Now, they say they are going to do it in May anyway, and they may find that it doesn't take so long to hear these people from India and all over the country as they think it will. They may run out of something to say like I have here before they get too far along—I mean, if these were the ones to be heard, most everyone else here—I have been seeing these faces around the country here for the last 15 months, in Florida and different places, people that are here today in the audience, and I don't think that there are any of them here who could keep this floor occupied for more than a week altogether. So I think in a week or a month or 2 months or 3 months we could have all the evidence we wanted to.

And I will say in the minds of some people in this U.S. Congress—and I think I am talking to some of them here today—that they have got the know-how and understanding about the Sugar Act to write a bill, and if they desire to give the American farmer the right to expand they can do it in a very orderly way and they can also take care of buying the sugar so we won't run out for the 2 years while the mills are being built. And I think we have the ability to write the law.

If we have the desire, if the desire exists sufficiently in the U.S. Congress to afford new growing areas and the farmers the right to participate, there isn't—I believe that—there isn't too much pressure, as I see it, to possibly keep that from being done.

There are several other reasons that I haven't mentioned here that may have been intimated during the testimony today. It was mentioned over here that the price of sugar one time went up and cost us too much. But that was when our supply from Cuba was cut off. And that was in time of war. Since that time, the price of sugar has been consistent. And, may I say, the retail price to the consumers is all I know about. But I do find that the retail price of sugar to the housewife in Salt Lake City and Denver, where we grow sugar beets, is not as much as it is in the east here, where we refine their cane as far

as the retail price is concerned per pound. I don't know what the difference is.

We were told by the Members of Congress, "Now, go work your solution out with the boys in the industry; if you will get the boys in the industry to say it is all right, we can get this thing done quick."

Listen, we have spent time with the industry, with those people, we have come up with suggestions—for instance, some of them say, "Well, the cane people ship too far west and get rid of their surplus, and then they come back to the Secretary of Agriculture later on when we can't go that far east on account of the higher price that we pay as growers of beets than do cane growers, so they get more sugar in, in December and November, when they run out."

We said, "Well, let's have a suggestion here. Why not, whenever the quotas are fixed and those things are established, whenever anybody runs over, instead of a 50 cent tax let's put a \$2.50 tax on it, and see if that will keep them home."

We don't want to hurt the cane people or anybody. But we found 375,000 tons of 100 percent refined sugar that was coming into this country from Cuba, 375,000 out of about 3,500,000 of importations of 100 percent refined sugar. We said, "For goodness sakes, just give us that 375,000 tons, let us have three or four mills scattered throughout the United States, and start milling, and we won't hurt the cane people, we won't hurt the beet people, we won't hurt anybody, if you will just give us that."

Senator BENNETT. Is it coming in now?

Mr. WITHERSPOON. I can't tell you. It has been coming in.

Senator BENNETT. Is there any sugar coming in from Cuba?

Mr. WITHERSPOON. Not today, no. But that was the case. And we could take it away regardless from that standpoint, take one item.

Besides, that is only a drop in the bucket anyhow; it is only 10 percent of the total quota. And by the time we built the mills for consumer use in this country it would almost be built up to that, don't you see. There are enough babies being born that are going to eat yearly 100 pounds of sugar in the United States; and if we had 375,000 tons that we could go to building mills which, in a very few years would equal that. We can't get that. We can't get consideration. We have spent our time, we have been spinning our wheels here trying to talk to the people that we have been told to, in Congress, to go to work it out before we could get anything. We haven't been able to do it. We are asking you to do something for us, because every man in here is my Senator, whether I am from Texas or anywhere else. And I read the papers, and I look to your leadership all the time, and I think that is the way that it should be. And I want my Texas Senators to represent the people in your State, too, just like they do the people in Texas.

The CHAIRMAN. Any questions?

Mr. WITHERSPOON. Mr. Benefield, have I left anything out that you would like to say here?

Mr. BENEFIELD. You haven't left much out; haven't said as much as you usually say. But I would say on behalf of the growers that you are telling these gentlemen the truth, that my Government payment doesn't pay my freight to Rocky Ford; so if you would give us a mill

in that area down there of Texas and New Mexico, and I could have the pulp to feed my cattle, I would be that much better off not paying the freight. So I can't see—I believe Senator Ellender thought we would have to subsidize that crop some more. As a grower for these 16 years, I can't see any need for that, sugar beets, even though I have shipped all the way to Rocky Ford, Colo., have put me in a good position financially. So I would still be doing just as well—I would be doing a little bit better for the reason I just mentioned, if this Government didn't pay me a dime, just give me my byproducts in trade, and I will give you that trade bill.

Mr. WITHERSPOON. Thank you, gentlemen.

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

The next witness is Mr. Floyd N. Smith, the chairman of the Governor's sugar beet committee for the State of Arizona.

STATEMENT OF FLOYD N. SMITH, CHAIRMAN OF THE GOVERNOR'S SUGAR BEET COMMITTEE FOR THE STATE OF ARIZONA

Mr. SMITH. Mr. Chairman, and members of the committee, my name is Floyd N. Smith, and I reside at 8520 North Central Avenue in Phoenix, Ariz. I appear before you today as a representative of the Governor of Arizona, who has established a committee to promote and foster the sugar beet industry in our State. In addition to being chairman of this committee, I have a definite interest in the problem as an Arizona farmer and as a representative of Arizona agriculture.

Although I have been farming in the Salt River project in Arizona since 1931, I have had some experience in the sugar beet industry. I also farmed in the Imperial Valley in California for a period of 17 years where I grew sugar beets, vegetables, and other crops generally grown in that area. I pioneered the growing sugar beet seed in Arizona on an experimental basis in 1934. Our seed was acceptable to the Colorado companies and today Arizona is among the principal contributors to the supply of sugar beet seed in the United States.

My initial experience and interest in the sugar beet industry began in the State of Colorado in 1919 where I was employed in the research department of the American Crystal Sugar Co. at Rocky Ford, Colo. From 1921 through 1930 I was an agriculturalist for the National Sugar Manufacturing Co. in Sugar City, Colo.

My purpose in being here today is to tell you of Arizona's need for a sugar beet quota—our ability to produce the crop economically—and to assure you that our Central Valley lands, our Yuma County lands, and other areas of the State can produce crops of superior quality.

Arizona's irrigated valleys cannot compete with the nonirrigated areas of our country in the production of grain crops. The vegetable industry in our established agricultural areas has suffered greatly in the last few years. The only so-called cash crop of prominence is cotton. Due to our national surplus, cotton acreage is in a restricted category. Without going into more detail, I can assure you that farming in Arizona has become more and more difficult during the last several years. A substantial sugar beet acreage would not only improve the economy of the State as a whole, but would also divert acreage now producing surplus crops to the production of sugar.

In response to a recent questionnaire, 354 Arizona farmers have indicated a desire to raise sugar beets. These farmers indicated a desire to plant 67,722 acres of sugar beets. Incidentally, any one of three counties included in this acreage could supply a 4,000 ton per day slicing capacity mill.

Arizona has 1,260,000 acres of the finest farmlands in the country. Six hundred and forty thousand of these acres are irrigated by gravity flow waters from reclamation projects and local irrigation districts. An additional 626,000 acres are privately irrigated by water pumped from the underground. The State has a more desirable climate, with fewer weather hazards than other areas in the country now raising sugar beets. I have grown sugar beets experimentally in the Salt River Valley in Arizona with an extremely high sugar content. The yield was comparable in tonnage to any other district or area of the country now engaged in the business.

A sugar mill in Arizona, centrally located, would have an added advantage over mills located in other States. Due to climatic conditions in the State, the various producing areas would harvest their sugar beets at different times, therefore, giving the mill a longer annual campaign. Beets from Yuma County would come off earlier than those grown in Maricopa and Pinal Counties. Following the harvest in Maricopa and Pinal Counties, Chino Valley, the Gila Valley, and the Wilcox Valley would be ready. Although this fact does not bear directly on your decision to give Arizona a sugar beet allotment, it does, however, indicate the probability of more efficient operation of a sugar mill.

The high degree of interest among farmers and citizens of Arizona in being allowed to participate in the production of sugar cannot be overemphasized. Sugar is one of the few nonsurplus "cash crops" in the country today. It is among the most important and vitally needed commodities in our country. We believe that the Nation should produce within its own borders a greater portion of its own sugar needs.

The State of Arizona and those of us who farm there want the privilege of participating in this increased development. We want this privilege without injuring our fellow farmers in other States who are now engaged in the industry. Neither do we desire to interfere or hinder the efforts of others in these established areas who wish to participate in the industry but have no present allotment. We believe this can be accomplished by allocating a portion of the former Cuban quota, plus the increased consumption, to domestic growers.

I have purposely taken less than my allotted time in making this statement, hoping that I might be able to answer such of your questions as may fall within my knowledge and experience.

But, before closing, let me say that we from Arizona respectively request that the Sugar Act be amended, in this session of Congress, by establishing substantial and economic quotas for Arizona and other States which are capable of economically growing sugar beets and desire to participate in the industry.

Thank you.

The CHAIRMAN. Thank you, Mr. Smith.

Any questions?

(No response.)

The CHAIRMAN. The committee will now adjourn, to meet at 10 o'clock tomorrow morning in executive session.

(By direction of the Chairman, the following is made a part of the record:)

SWISHER COUNTY SUGAR BEET GROWERS ASSOCIATION,
TULLIA, TEX., March 23, 1961.

HON. HARRY FLOOD BYRD,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: We feel that Congressman Cooley's extension of the sugar act is unfair to the U.S. farmers, and also to foreign countries for the following reasons:

1. The U.S. farmers can and need to raise the sugar consumed in the United States. Raising sugar beets would be a boost to our income and would take some feed grain acreage out of production.

2. If only two or three new beet sugar mills, each producing approximately 50,000 tons of sugar could be built in the United States it would be a good boost to our national economy. Each mill would cost about \$15 million, and take approximately 2 years to build, and employ about 300 people, each, after operation started.

3. If we give our sugar business to foreign nations now, and a year or two later start producing our own sugar, decreasing their quotas, we feel our diplomatic relations will be in far worse shape than now.

Our agriculture is one of our strongest weapons against communism. We are the only nation that has never suffered a famine. Red China is starving today, and Russia does not produce enough to feed her people.

Please get behind the U.S. sugar beet growers, and fight for us and our national economy.

Thank you for your consideration and support.

TOM ABERNATHY,
Secretary.
G. I. SADLER,
President.

PLAINVIEW, TEX., March 24, 1961.

LYNDON B. JOHNSON,
Vice President of the United States,
Washington, D.C.:

Please help the beet and cane sugar industry by seeking a 9-month extension of the present Sugar Act instead the 21-month extension passed by the House. This would give ample time for a new sugar act to be drawn and presented before the 9-month extension expires.

GRADY TUNNELL,
Chairman, Legislative Committee, Plainview Chamber of Commerce.

NEW YORK, N.Y., March 24, 1961.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

As an American company whose sugar properties were seized by Castro we join with other American companies in urging that the Sugar Act be extended for 21 months until December 1962 as passed by the House. U.S. sugar legislation will be still part of U.S. program for rehabilitating Cuba when friendly government installed since only feasible means for rehabilitating the Cuban economy without undue delay is restoration of the Cuban sugar industry. Any other program would require very substantial amounts of aid from the United States over a considerable number of years and complete upheaval in the island's economy and organization. When friendly Cuban Government installed it will have to face the chaos created by Castro and it will be important to help restore sugar economy quickly to start on road to recovery as long as Cuban situation remains unsettled we believe Sugar Act should be extended so that the United States retains freedom to help a new Cuban government by resuming sugar imports promptly. By extending act 21 months the United

States will keep the necessary flexible authority to carry out its program for Cuba's rehabilitation. Twenty-one months' extension will not jeopardize U.S. supplies because sufficient sugar is available from offshore producers for U.S. requirements in 1961 and 1962 without the necessity of new investments in planting or mills facilities.

THE FRANCISCO SUGAR CO.

NEW YORK, N.Y., March 24, 1961.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

As an American company whose sugar properties were seized by Castro we join with other American companies in urging that the Sugar Act be extended for 21 months until December 1962 as passed by the House. U.S. sugar legislation will be still part of U.S. program for rehabilitating Cuba when friendly government installed since only feasible means for rehabilitating the Cuban economy without undue delay is restoration of the Cuban sugar industry. Any other program would require very substantial amounts of aid from the United States over a considerable number of years and complete upheaval in the island's economy and organization. When friendly Cuban government installed it will have to face the chaos created by Castro and it will be important to help restore sugar economy quickly to start Cuba on road to recovery. As long as Cuban situation remains unsettled we believe Sugar Act should be extended so that the United States retains freedom to help a new Cuban government by resuming sugar imports promptly. By extending act 21 months the United States will keep the necessary flexible authority to carry out its program for Cuba's rehabilitation. 21 months' extension will not jeopardize U.S. supplies because sufficient sugar is available from offshore producers for U.S. requirements in 1961 and 1962 without the necessity of new investments in planting or mills facilities.

MANHATTAN SUGAR CO.

MULESHOE, TEX., March 23, 1961.

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

Please help the beet as well as the cane new producing areas to immediately commence construction of plants capable of producing at least 1 million tons. Please see to the Sugar Legislation immediately and in such form as Americans will be for Americans and the American farmer and not for foreign countries at our expense.

ERNEST KERR,

Chairman, Agriculture Committee, Muleshoe, Tex., Chamber of Commerce.

TUCUMCARI, N. MEX., March 24, 1961.

Senator HARRY BYRD,
Senate Office Building, Washington, D.C.:

Please use your influence to defeat the extension of present sugar law and to enact new sugar law which give the American farmer a chance to produce our own sugar. This will aid our entire economy and help relieve some of our farm surplus.

TUCUMCARI SUGAR BEET GROWERS ASSOCIATION.

TUCUMCARI, N. MEX., March 24, 1961.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee, Washington, D.C.:

Please use your influence to see that the present sugar act is not extended. Urge new sugar act. Which would allow our American farmers to raise sugar for Americans. Thus enhance American farm economy as well as industry in building new refineries.

Rep. M. S. DICKINSON,
President, Quay County Sugar Beet Association.

BOSTON, MASS., March 24, 1961.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

As American company whose sugar properties were seized by Castro we join with other American companies in urging that the Sugar Act be extended for 21 months, until December 1962, as passed by the house. U.S. sugar legislation will be vital part of U.S. program for rehabilitating Cuba when friendly government installed since only feasible means for rehabilitating the Cuban economy without undue delay is restoration of the Cuban sugar industry. Any other program would require very substantial amount of aid from the United States over a considerable number of years and a complete upheaval in the island's economy and social organization. When friendly Cuban government installed it will have to face chaos created by Castro policies and it will be important to help restore sugar economy quickly to start Cuba on road to recovery. As long as Cuban situation remains unsettled therefore we believe Sugar Act should be extended so that the United States retains freedom to help a new Cuban government by resuming sugar imports promptly. By extending act 21 months the United States will keep the necessary flexible authority to carry out its program for Cuban rehabilitation—21-month extension will not jeopardize U.S. supply because sufficient sugar is available from offshore producers for U.S. requirements in 1961 and 1962 without the necessity of new investment in planting or mill facilities.

THOMAS E. SUNDERLAND,
President, United Fruit Co.

TUUMCARI, N. MEX., March 24, 1961.

HON. H. F. BYRD,
Chairman, New Sugar Legislation Committee,
Senate Office Building, Washington, D.C.:

In favor of the new sugar legislature and feel that it is essential.

CALVIN MOORE,
Manager, Southern Union Gas Co.

TUUMCARI, N. MEX., March 24, 1961.

HON. H. F. BYRD,
Chairman, New Sugar Legislation Committee,
Senate Office Building, Washington, D.C.:

Highly approve of the new sugar legislation, feel that is necessary for our economy.

DREW RISKA,
Manager, J. C. Penney Co.

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
February 23, 1961.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: Enclosed is a resolution adopted by the North Dakota Legislature concerning the extension of the Sugar Act.

I hope it will be possible to include this resolution as a part of the hearings when your committee considers this legislation.

With warmest personal regards,
Sincerely,

MILTON R. YOUNG.

Thirty-seventh Legislative Assembly, State of North Dakota, begun and held at the Capitol in the City of Bismarck, on Tuesday, the third day of January, one thousand nine hundred and sixty-one

SENATE CONCURRENT RESOLUTION A

(Trenbeath)

A concurrent resolution requesting the National Congress to give immediate attention to amending the Sugar Act of 1948, and to give the American farmers their right to produce a larger share of the U.S. sugar market

Be it resolved by the Senate of the State of North Dakota, the House of Representatives concurring therein:

Whereas North Dakota farmers are confined to the raising of crops presently in surplus because the climate of this northern area will not permit a shift in the growing of cereal crops; and

Whereas they have increased their sugar beet production the past 25 years and have consistently requested Congress to permit the production of sugar beets on additional acres; and

Whereas they can produce sugar beets profitably and assure U.S. consumers of a steady and stable supply of sugar at reasonable prices; and

Whereas the legislative assembly believes the American farmer has a vested right to all increases in the American sugar market which would not reduce the present quotas of foreign countries: Now, therefore, be it

Resolved by the Senate of the State of North Dakota, the House of Representatives concurring therein:

That the U.S. Congress is urged to amend and reenact the Sugar Act for a period of 5 years, revise the growth formula by allowing 100 percent of the American consumptive increases be allocated to domestic areas, and add to the basic quota of continental United States an amount equal to what they have recently supplied for deficit areas; be it further

Resolved, That copies of this resolution be forwarded by the secretary of state to the U.S. Secretary of Agriculture, the U.S. Secretary of State, chairmen of the U.S. Senate and House Agriculture Committees at Washington, D.C. and to each Member of the North Dakota congressional delegation.

ORVILLE W. HAGEN,
President of the Senate.
 HOWARD F. DOHERTY,
Secretary of the Senate.
 R. FAY BROWN,
Speaker of the House.
 GERALD L. STAIR,
Chief Clerk of the House.

(Whereupon, at 4:20 p.m., the committee recessed, to reconvene in executive session at 10 a.m., Tuesday, March 28, 1961.)