

SUGAR ACT AMENDMENTS OF 1962

15757-1

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

SECOND SESSION

ON

H.R. 12154, S: 3290

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

JUNE 20, 21, 22, AND 23, 1962

Printed for the use of the Committee on Finance



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SUGAR ACT AMENDMENTS OF 1962

WEDNESDAY, JUNE 20, 1962

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

The committee met, pursuant to notice, at 10:15 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Long, Smathers, Anderson, Douglas, Gore, Talmadge, Williams, Carlson, Bennett, Curtis, and Morton.

Also present: Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The committee has under consideration the Sugar Act Amendments of 1962, H.R. 12154. I place in the record two staff memorandums showing the principal provisions of the House-passed bill, and summary of the proposed quotas, as well as a copy of the bill.

(The documents referred to follow:)

PRINCIPAL PROVISIONS OF H.R. 12154, SUGAR ACT AMENDMENTS OF 1962

The bill—

1. Extends the act to December 31, 1966.
2. Increases the quotas for domestic sugar-producing areas about 625,000 tons (based on 9.7 million tons anticipated consumption) and provides 63 percent of the increase in consumption shall be provided by domestic areas (as against 55 percent previously).
3. Allocates basic quotas to 26 countries including Cuba.
4. Authorizes the purchase of the Cuban quota from 11 countries through December 1963.
5. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated on basic quotas to quota countries. If these cannot supply the deficiency, then allocations may be made to nonquota countries with which we are in diplomatic relations.
6. Provides that any nation which unlawfully expropriates American-owned property or otherwise seriously discriminates against such property may have its quota suspended.
7. Provides that if any nation discriminates against the U.S. citizens in its sugar program the President may suspend its quota.
8. Authorizes the payment of \$22.8 million to the Dominican Republic and to American sugar companies for the entry fee imposed on nonquota sugar purchases during the Trujillo regime.
9. Provides that quotas apply to the sugar content of any sugar-containing product which does not have a recent history of importation unless the importation will not interfere with the objectives of the act.
10. Provides direct-consumption sugar limitations similar to those in present legislation for Hawaii, Puerto Rico, and the Philippines. No direct consumption imports would be permitted from countries other than the Philippines if their quotas are in excess of 20,000 tons. For countries under 20,000 tons quotas of direct consumption sugar would be based on average entries during 1957-59.

11. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quota.

12. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas. The Virgin Island quota may come only from that area and must be produced there.

13. Provides a national reserve of not more than the acreage needed to yield 50,000 tons of sugar to be assigned to farms on a fair and reasonable basis without regard to any previous production history. Clarifies circumstances under which the Secretary would establish grower proportionate share and the Secretary's authority to consider the sugarbeet production history of farm operations.

SUMMARY OF QUOTAS PROPOSED IN H.R. 12154

H.R. 12154, as passed by House of Representatives, extends act 4½ years to December 31, 1966, with basic U.S. quota set at 9,700,000 tons, of which 5,810,000 tons allocated to domestic growers and foreign suppliers share in balance of 3,890,000 tons.

Domestic basic quota shared as follows:

Beet sugar-----	2,650,000	Puerto Rico-----	1,140,000
Cane sugar-----	895,000	Virgin Islands-----	15,000
Hawaii-----	1,110,000		

Foreign basic quota shared as follows:

Cuba-----	1,500,000	Colombia-----	35,000
Philippines-----	1,050,000	Haiti-----	25,000
Peru-----	200,000	Guatemala-----	20,000
Dominican Republic-----	200,000	Argentina-----	20,000
Mexico-----	200,000	India-----	30,000
Brazil-----	190,000	South Africa-----	20,000
British West Indies-----	100,000	Panama-----	15,000
Australia-----	50,000	El Salvador-----	10,000
French West Indies-----	40,000	Paraguay-----	10,000
Costa Rica-----	30,000	British Honduras-----	10,000
Nicaragua-----	30,000	Fiji Islands-----	10,000
Republic of China-----	45,000	Netherlands-----	10,000
Ecuador-----	30,000	Mauritius-----	10,000

Cuba quota 1,500,000—allocated on a temporary basis of 1 year as follows:

Philippines-----	150,000	Australia-----	150,000
Peru-----	150,000	Republic of China-----	150,000
Dominican Republic-----	150,000	South Africa-----	100,000
Mexico-----	150,000	Mauritius-----	100,000
Brazil-----	150,000	India-----	100,000
British West Indies-----	150,000		

[H.R. 12154, 87th Cong., 2d sess.]

A BILL To amend and extend the provisions of 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 this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth

in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

Sec. 3. Section 202 of such Act is amended to read as follows:

"Sec. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar.....	2, 650, 000
Mainland cane sugar.....	895, 000
Hawaii	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	5, 810, 000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas:

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw value, for 1963 and each

year thereafter, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba.....	52.84
Peru.....	7.04
Dominican Republic.....	7.04
Mexico.....	7.04
Brazil.....	6.69
British West Indies.....	3.52
Australia.....	1.76
Republic of China.....	1.58
French West Indies.....	1.41
Colombia.....	1.23
Nicaragua.....	1.06
Costa Rica.....	1.06
India.....	1.06
Ecuador.....	1.06
Haiti.....	0.88
Guatemala.....	0.70
Argentina.....	0.70
South Africa.....	0.70
Panama.....	0.53
El Salvador.....	0.35
Paraguay.....	0.35
British Honduras.....	0.35
Fiji Islands.....	0.35
Netherlands.....	0.35
Mauritius.....	0.35

"(B) for the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962, and for the calendar year 1963 any such quantity as is authorized for purchase and importation under this paragraph (4) shall be allocated on the following basis:

"(i)

"Country	Per centum
Republic of the Philippines.....	10
Peru.....	10
Dominican Republic.....	10
Mexico.....	10
Brazil.....	10
British West Indies.....	10
Australia.....	10
Republic of China.....	10
India.....	6.67
South Africa.....	6.67
Mauritius.....	6.66

"(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for purchase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States:

"(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

"(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for

foreign countries named in section 202(c) (3) (A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c) (3) (A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c) (3) (A) can fill all of any such deficit whenever the provisions of section 202(c) (4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c) (4), and whenever section 202(c) (4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the following language ", limited in any year when proportionate shares were in effect to processings".

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to

1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e) (1) None of the proration established for Cuba under section 202(c) (3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c) (3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c) (3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

Sec. 8. Section 208 of such Act is amended to read as follows:

"Sec. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

Sec. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

Sec. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

Sec. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such areas as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b)."

Sec. 12. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202 (c) (4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c) (4), or apportioned in accordance with section 204(a) whichever procedure is applicable."

Sec. 13. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

Sec. 14. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

Sec. 15. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

Sec. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in regulations implementing such section and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

Sec. 18. There is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, and deposited in the United States Treasury, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that it has received assurance from the persons paying such fees that all present or potential claims against the United States based on the payment of such fees are thereby satisfied with no further liability to the United States.

The CHAIRMAN. Mr. Charles S. Murphy, the Under Secretary of Agriculture, will be the first witness.

Take a seat, Mr. Murphy.

STATEMENT OF HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN C. BAGWELL, GENERAL COUNSEL, DEPARTMENT OF AGRICULTURE; AND LAWRENCE MYERS, DIRECTOR, SUGAR BRANCH

Mr. MURPHY. Mr. Chairman, and members of the committee, I am glad to have this opportunity to appear before this committee to testify on H.R. 12154, the bill passed by the House to extend and amend the Sugar Act. I would also like to refer to S. 3290, a bill which was introduced by 36 Members of the Senate for a similar purpose.

(A copy of the bill S. 3290 appears at the end of Secretary Murphy's testimony.)

Mr. MURPHY. On May 16 the Secretary of Agriculture appeared before the House Committee on Agriculture and testified on behalf of the administration's recommendations for extension and amendment of the Sugar Act.

The bill, as passed by the House, on June 19 is substantially the same as the administration's recommendations, with respect to participation by American farmers in our sugar market. Accordingly, I will not dwell at any length upon these provisions—particularly since they are in accord, I understand, with the thinking of all segments of the domestic industry.

Senator ANDERSON. Do you suppose there should be a comma after the word "recommend"? It means one thing with a comma and something else without it.

Mr. MURPHY. I think the comma should not be there, Senator Anderson.

Senator ANDERSON. Yes; in other words, it is substantially in accord.

Mr. MURPHY. In this particular respect the House bill is substantially in accord with the recommendations of the administration.

In essence, the offshore domestic areas, Hawaii, Puerto Rico, and the Virgin Islands, would be enabled to market all of the sugar they are likely to produce between now and the end of 1966 when the extension would expire.

Mainland sugarcane production in Louisiana and particularly in Florida has expanded tremendously during the 3 most recent years when production was unrestricted.

Because of the many new mills in Florida and the vastly expanded acreage it probably will be necessary to control mainland sugarcane production beginning in 1963.

However, the more than 35-percent increase in the quota for mainland cane suggests that it will not be necessary during the life of the extension to curtail production below 445,000 acres. This is 85,000 acres more than 1961 production.

The bill provides that 63 percent of market growth or a little more than 100,000 tons a year would be available to the two mainland producing areas in ratio to their basic quotas, that is, about three-fourths to the beet sugar area and one-fourth to the mainland cane area. The approximate 25,000 tons a year expansion for cane will ease the annual acreage restrictions in Louisiana and Florida.

As to sugarbeets, the approximately 75,000 tons annual increase in quota on top of the 25-percent enlargement of that area's basic quota to 2,650,000 tons, plus the need to replenish inventories which have fallen below desirable working levels would be sufficient to provide for all the sugarbeets that reasonably may be expected to be processed in the existing sugarbeet factories and to provide for the entry of some additional production in new localities.

The bill provides that acreage not in excess of that needed to yield 50,000 short tons of sugar shall be reserved for growth and expansion of the beet sugar industry.

In response to a question at the House committee hearing, the Secretary of Agriculture stated that it was his understanding that each year in which proportionate shares are effective the acreage required to produce 50,000 tons of sugar, or about enough for one new factory, would be reserved primarily for new localities of production.

In the House committee report on pages 6, 7, and 8, his statement is repeated and a system of priorities and selection is suggested at somewhat greater length.

Your committee may wish to provide additional legislative history or statutory language with respect to his administration of the new locality provision and you may be sure he will welcome all of the guidance you may care to give him in what, I know, will be a difficult administrative decisionmaking procedure.

I would like to direct my remarks now to that part of H.R. 12154 which is in substantial disagreement with the administration's recommendations, that is, the part that concerns the acquisition of foreign supplies.

The administration has recommended and S. 3290 provides that the quotas for foreign countries other than Cuba under the present act be continued and that the balance of our foreign requirements of 2,585,000 tons at the present level of sugar requirements be prorated to Cuba to become available to that country when we resume diplomatic relations.

Importations of such sugar would be subject to an import fee of the amount needed to affect a domestic price which would fulfill the objectives of the act. It was further recommended that the quotas for foreign countries other than the Republic of the Philippines be subject to payment of a fee graduated on a rising scale. No change was recommended with respect to the quota of the Republic of the Philippines or the terms of importation from the Philippines.

The principal reason why the administration recommended the recapture of the quota premiums through the import fee and the so-called global quota are as follows:

- (1) It will increase Treasury receipts by about \$130 million a year to begin with and by more as the years pass.
- (2) It will improve the U.S. balance-of-payments position by an equal amount.
- (3) It will provide better assurance of sugar supplies when and as we need them.
- (4) It will avoid discrimination by the United States among various nations with which it has friendly relations.

The Sugar Act was written 28 years ago to deal with the economic emergency then existing. It was tailored to meet the situation when

the Philippines were part of the United States and Cuba was our only substantial foreign supplier of sugar.

The Sugar Act worked well during the prewar period and during the early postwar years. It benefited producers in the United States and the Philippines and lifted Cuba out of the depression.

Moreover, while we had a cooperative government in Cuba that was able to supply this country with virtually unlimited quantities of sugar at any time, the system gave protection to domestic consumers as well as to producers.

With the advent of the Castro government and communism in Cuba we lost the very basis upon which the previous system of country quotas was established.

Since late 1960 this country has tried to maintain the form of the old system by distributing Cuba's quota among other foreign suppliers.

Through good luck we have been able to obtain supplies for domestic consumers without disruption or serious price increases. The fact remains, however, that this has been more the result of good fortune than of good management.

Reserve supplies in the individual foreign supplying countries have not been adequate to give American consumers real supply protection.

The sugar quota system has become a foreign aid measure in which we determine the amount of aid we give to a foreign country by its ability to gain access to our sugar market rather than by its demonstrated need for foreign assistance.

In 1961 we imported sugar from more than 20 foreign supplying countries and paid them a total of over \$200 million in excess of the world average price of sugar.

Let me say why the administration supports a price well above the competitive level for domestic producers and does not support the same high premium price for foreign suppliers, other than the Republic of the Philippines with which we have a trade agreement.

The degree of support afforded domestic producers is possible only because the act provides for production management.

Without production adjustment, the demand to produce sugar crops would expand rapidly in this country. The act does not provide and it is obviously impossible to control production in foreign countries. Right now, production is being expanded in many countries of the world in the hope of obtaining a larger quota in the U.S. premium market.

If this situation is permitted or encouraged to continue, the United States may soon be accused of promoting overproduction and of breaking international markets.

Even now, it is impossible to satisfy the demands of foreign producers for a place in this market. In a few years the disappointment of those countries which do not receive the marketing opportunities they hope for will be further aggravated.

I would like now to comment on arguments that have been made against the so-called global quota.

1. It has been said the protection provided domestic producers for more than 25 years under the Sugar Act would be impaired unless the benefits to domestic producers (other than direct Government payments and tariff protection) be made available to foreign countries—29 of them as provided in H.R. 12154.

I do not really understand this contention. The price and income protection for domestic sugar producers stems from section 201 of the act which requires the Secretary of Agriculture to make available a supply of sugar that will be consumed at prices that will not be excessive to consumers and that will protect the welfare of the sugar industry.

That section provides further detailed guidance to assure the attainment of the general objective of fair and stable prices.

The administration subscribes without reservation to the philosophy that American farmers should be enabled to participate with all other segments of our population in the abundance this country has to offer.

The administration in drafting its recommendation provided assurance that when foreign sugar enters the flow of commerce in this country it would be priced at a level consistent with the terms of section 201 of the Sugar Act.

The mechanism provided is simple and it is sure. All foreign sugar coming into this country must pass through a customs port of entry. Right now under the present Sugar Act, no quantity of sugar in excess of 100 pounds may be entered without the collector of customs having in his possession a quota clearance certificate issued by the Department of Agriculture.

The administration proposes that such clearance certificates for foreign sugar other than from the Republic of the Philippines be issued only upon payment or binding agreement to pay an import levy approximately equal to the difference (after adjusting for freight and most-favored-nation tariff) between the world market price of sugar and a domestic price consistent with price objectives of section 201.

The fee would be varied from time to time whenever necessary. Thus, after this sugar is cleared through customs it is priced in conformity with the price of domestic sugar similarly situated.

2. A number of persons have expressed fears that permitting all friendly countries to compete on the basis proposed would not provide the security of foreign sugar supply obtainable under a system of individual country quotas. The validity that this argument may have had disappeared when Castro took over Cuba and reoriented the entire life of that country.

It is true enough that Cuba once maintained ample supplies of sugar throughout every month of the year to serve whatever surges might occur in the demand for sugar in the United States. But this is the past. No country today produces and has available supplies of sugar for export in the quantities that Cuba once had.

In July 1960, when we discontinued sugar importations from Cuba, a number of our other supplying countries had recently accumulated surpluses, in some cases to embarrassing proportions.

The two events happened to occur at about the same time. But in the last 2 years we have drained those surpluses away and current exportable supplies from those countries as well.

For more than a year, our foreign supplies available under a strict allocation basis have been shipped hot from the mills. A natural disaster in any one of the countries, a strike or other economic emergency, or a miscalculation as to production potential interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen.

It disturbs the marketing of domestically produced sugar which becomes available in quantities in the closing quarters of the year. It disturbs the price stability that is so desirable under this type of legislation.

Summertime foreign supplies, when demand is heavy, are distressingly meager and last quarter supplies are embarrassingly large when the mainland areas are in the midst of their heavy production.

The fact is that the insecurity and instability of our foreign supplies would be corrected under the administration's recommendation and consumers would have the security of supplies that they have not known in the last 2 years.

In the global quota of more than 2,585,000 tons, all of the friendly countries could compete for a share of our market, and our refiners would have all of these sources from which to obtain their supplies as needed.

If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere.

The situation reverts in essence to what it was when Cuba maintained a large reserve and made it available when and as needed.

3. It is said that the economies of a number of our quota-supplying countries are geared to the premium price of the American market and will suffer in making the adjustment to the world market price level, even if that market rises somewhat following the merger of our foreign requirements into the world market.

It is true that the adjustment could better have been made 2 years ago than now.

On the other hand, many of these countries had burdensome supplies of sugar at that time which were beginning to create severe economic problems.

As a result of the Cuban windfall, those countries supplied many times the quantities of sugar they had previously been permitted to market in the United States. Aside from the Republic of the Philippines whose premium price status is unchanged under the proposed amendment, all foreign countries other than Cuba collectively supplied less than 300,000 tons of sugar annually to the United States prior to July 1960.

Under S. 3290 which embodies the administration's recommendation, they would retain quotas somewhat larger than they had 2 years ago and the premium on this sugar would be reduced gradually until eliminated at the end of 1965.

It is certainly better to begin eliminating the quota premium now than at any time in the future when, if not eliminated, the sugar economies of those countries would be even more firmly geared to our premium price. If this occurs and the Communist regime in Cuba falls, either there will then be little opportunity in our market for Cuba or an even more difficult adjustment will have to be made in the sugar economies of the other countries.

4. It has been said that the determination and imposition of a variable import levy by an executive department places too much power in that department.

I am sure the members of this committee know that the Sugar Act for many years has authorized the Secretary of Agriculture to establish the total supply of sugar that can be marketed in this country.

His direct actions with respect to sugar supply under this authority have had an indirect but very sure effect on prices—in fact, exactly the same effect as the determination of the amount of the variable import levy would have.

S. 3290 provides adequate guidance to the Department, both as to the amount of the import fee to be established and the supply of sugar made possible by the total quotas including the so-called global quota.

5. It is said that the imposition of the variable import levy will be regarded as an unfriendly act by many of the countries that have supplied our sugar.

This is inescapable but in time will be relegated to the past. On the other hand the experience of the last 2 years makes it very clear that our present sugar import policy wins us no friends. Regardless of the terminology used, such as "quota" and "nonquota" sugar, when a country receives an allocation for one period it expects one of greater or equal size in each succeeding period.

Misunderstandings have arisen because of the irregular nature of the allocations. Countries that have not received allocations have felt even more strongly that they have been subjected to discrimination.

Failure to receive allocations and the receipt of allocations, alike, in the past 2 years have produced misunderstandings and in some cases ill will.

6. It has been said that buying our foreign requirements at the going price is contrary to our national policy of trying to improve the market for basic commodities, particularly those produced in Latin America.

It is difficult to understand how the practice of buying sugar from selected countries at very high premium prices without ability to tailor production to market needs could contribute to sound and orderly markets for basic commodities.

Conversely, the opening of our market to all friendly cane sugar exporting countries would certainly improve the international marketing climate for sugar and because of the enlarged marketing opportunities support the price of sugar eligible for entry here that moves in world trade.

7. It has been said that current production costs are higher than the world price for sugar. This may be but, if so, a substantial contributing factor has been the hope of disposing of exports in the U.S. premium priced market.

Furthermore, these hopes undoubtedly have given rise to production plans in high-cost producing areas. The most obvious solution for bringing prices up to a profitable level is to remove a device which can only in the long run bring about overproduction, disorderly markets, and unprofitable enterprises.

With respect to the importation of direct consumption (refined) sugar, S. 3290 retains without substantial change the direct consumption limitations of the present act except that the 375,000-ton limitation within the proration for Cuba would be reduced to 250,000 tons when we are in diplomatic relations with that country and eliminated completely at other times.

This change is recommended to compensate the cane sugar refining industry for its percentage loss of the total sugar market stemming from the fact that refined beet sugar marketings have been increasing at a faster rate than total market growth.

S. 3290 which embodies the administration's recommendations with respect to the Sugar Act provides needed changes to bring the sugar program into conformity with the situation that now exists and to make it viable for the changes which may occur before the end of 1966.

Mr. Chairman, and members of the committee, as you know, the House bill departs very substantially from the administration's recommendations with respect to imported sugar. H.R. 12154 increases the basic quota for foreign countries other than Cuba by about 1,085,000 tons, reduces the quotas reserved for Cuba when it returns to the hemispheric community of nations to 1,500,000 tons, and allocates that quota for the balance of this year and next year to 11 of the 29 countries which are granted basic quotas. The report on the bill indicates that Congress will review the temporary allocations of the Cuban quota after 1963.

The House bill further provides that the quota premium will continue to be paid on all foreign sugars.

There is one additional special provision of the House bill, not recommended by the administration, to which I wish to call attention. Section 18 of H.R. 12154 provides for the refund of more than \$22 million collected as an entry fee on the nonquota purchase sugar which the act provided for the Dominican Republic during the last half of 1960 and the first quarter of 1961, a period within the Trujillo regime.

In March of 1961, the act was amended to relieve the President of the requirement that he purchase nonquota sugar from any country with which we are not in diplomatic relations.

No further nonquota purchase sugar was purchased from the Dominican Republic until this year by which time diplomatic relations had been resumed with the present Government of the Dominican Republic.

No fee was collected at any time on the sugar which came into this country within the statutory quota for the Dominican Republic.

Two of the companies, or their successors, who paid the entry fee on nonquota sugar in order to market it have brought actions in the Court of Claims to recover the fees that each paid.

It is the opinion of the responsible legal authorities of the Government that the fees were properly and legally imposed and it is our feeling that the litigation should be permitted to proceed without legislative interposition.

For the above reasons the Department of Agriculture feels strongly that the program recommended by the Secretary of Agriculture in his letter of May 14, 1962, to the Vice President and the Speaker of the House constitutes a sound and desirable basis for amending and extending the Sugar Act.

We would now like to renew those recommendations and urge that this committee amend H.R. 12154 accordingly.

Mr. Chairman, that concludes my prepared statement.

I am accompanied here by Mr. John Bagwell, the General Counsel of the Department, who is an old hand at sugar legislation, and by

Mr. Larry Myers, the Director of the Sugar Division of ASCS, who has been engaged in administering this act for many years, and between us, we will be delighted to answer questions the committee might have.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Senator Kerr?

Senator KERR. Mr. Secretary, I have a staff memorandum that is designated "Summary of quotas proposed in H.R. 12154 as passed by the House of Representatives."

Have you seen that memorandum?

Mr. MURPHY. No, sir; I have not.

Senator KERR. I wonder if somebody would hand him a copy of it.

As I look it over, I see the domestic basic quota share is as follows: Beet sugar, 2,650,000 tons; cane sugar, 895,000 tons; Hawaii, 1,110,000 tons; Puerto Rico, 1,140,000 tons, and Virgin Islands, 15,000 tons.

Can you tell me whether the Hawaiian quota is beet sugar or cane sugar?

Mr. MURPHY. Cane sugar.

Senator KERR. That is cane sugar?

Mr. MURPHY. Yes, sir.

Senator KERR. Can you tell me whether the Puerto Rican quota is cane sugar or beet sugar?

Mr. MURPHY. Cane sugar.

Senator KERR. Cane.

Virgin Islands?

Mr. MURPHY. Cane sugar.

Senator KERR. Cane sugar.

Well, then, of the 5,810,000 tons, 2,650,000 tons are beet sugar, 3,160,000 are cane sugar?

Mr. MURPHY. Yes, sir; I believe that is correct.

Senator KERR. Now, you said something in your statement about great increases in the last year or two in the quotas for domestic production.

Mr. MURPHY. There would be substantial increases, Senator, under this bill in the basic quotas over the basic quotas provided for in existing law.

Senator KERR. I thought you said there had been substantial increases in the last year or two?

Mr. MURPHY. There have been sizable—

Senator KERR. Where is that part of your statement?

Mr. MURPHY. I do not remember that particular statement.

There have been substantial increases in production in the last year or two, although not substantial increases in basic quotas. The increases in production have come about because there have been no controls during the last couple of years.

Senator KERR. Well, where has that increase been?

Mr. MURPHY. Sir?

Senator KERR. Where has that increase been?

Mr. MURPHY. It has been some increase in both the beet sugar areas and in the cane sugar areas.

I think I now recall the part of the statement to which you refer.

Senator KERR. Would you tell me where that is?

Mr. MURPHY. There has been a very substantial increase in plantings in Florida, particularly this year, 1962.

Senator SMATHERS. What was that again? I did not hear that.

Mr. MURPHY. This is referred to on the first page of my statement, at the bottom of the page.

Senator KERR. How much increase has there been in Hawaii?

Mr. MURPHY. I would like, if I may, to ask Mr. Myers to respond to that question.

Mr. MYERS. Senator Kerr, both Hawaii and Puerto Rico have had deficits for several years. Hawaii has never recovered fully from the strike that it had in 1958. Its production has been coming up gradually, but it is not up to the old quota level; and Puerto Rico has had a series of poor crops, and I understand it is suffering a poor crop again this year.

Senator KERR. Then neither of those areas has produced an increase in this domestic—has participated in this increase of domestic sugar.

Mr. MYERS. That is correct, sir; and it is their deficits and also the little minor deficit in the Virgin Islands that have resulted in re-allocations to the mainland cane and beet areas and utilized all of their stocks. This required us to take off the controls.

Senator KERR. Are you not talking about the domestic cane and beet areas?

Mr. MYERS. Yes, sir.

Senator KERR. Well, now, I was looking here at the foreign basic quota shared as follows, and I see Cuba, Philippines, Peru, Dominican Republic, Mexico, Brazil, British West Indies, Australia, French West Indies, Costa Rica, Nicaragua, Republic of China, Ecuador, Colombia, Haiti, Guatemala, Argentina, India, South Africa, Panama, El Salvador—by the way, was that the island that this fellow named Columbus discovered? [Laughter.]

Mr. MYERS. No, sir.

Senator KERR. That is San Salvador.

Mr. MYERS. San Salvador. There are two arguments; one is now the Dominican Republic, and I have forgotten the other place he is supposed to have discovered, which is which.

Senator KERR. If you find which one it was, would you put that in the record? [Laughter.]

Paraguay, British Honduras, Fiji, Netherlands, and Mauritius.

Cuba quota, 1,500,000—allocated on a temporary basis of 1 year as follows:

Philippines, 150,000; I presume that would be in addition to their 1,030,000 tons?

Mr. MURPHY. That is my understanding.

Senator KERR. Peru, Dominican Republic, Mexico, Brazil, British West Indies, Australia, Republic of China, South Africa, Mauritius, and India. I have looked in vain for the name "Oklahoma" there. [Laughter.]

Now, the question I want to ask you is this:

What provision is there either in the House bill or the administration bill that would make it possible for a part of the increased production to come from the tri-State area of Oklahoma, Texas, and New Mexico, in sufficient amount to justify the building of a sugar mill there?

Mr. MURPHY. Both the bill as passed by the House, and the administration's recommendation, provide that 63 percent of the growth in

consumption of sugar be allocated to domestic producers. This would be divided approximately three-fourths beets, and one-fourth to cane.

It means about 75,000 tons a year for beets. Of this 75,000 tons a year for beets, 50,000 a year are set aside in a reserve to be used for new producers, and that is to permit the establishment of one new mill a year.

Senator KERR. Well, now, which area has been set aside for this mill I am talking about?

Mr. MURPHY. The legislation does not undertake to determine which area this will be allocated to.

The House committee report has provided some guidelines. I have asked about this a number of times, Senator, of various persons interested in the industry, and they usually smile sweetly and say that that will be the problem of the Secretary of Agriculture.

Senator KERR. Who is that?

Mr. MURPHY. I assure you the Secretary of Agriculture will be more than delighted to have guidance from this committee on how he should resolve this particular kind of a question.

Senator KERR. Well, now, where is the provision in the administration bill for this mill?

Mr. MURPHY. It is the same provision. I do not happen to have a copy of the administration bill here, but my understanding is that this provision is the same both in the bill that passed the House and in the so-called administration bill.

Senator KERR. Now, what justification is there for the allocation of a million and a half tons of the Cuban quota to 11 countries—

Mr. MURPHY. It is—

Senator KERR. Just a minute—all of which, I believe, except Australia, the Republic of China, South Africa, and India—no, India already has a quota—all of which except Australia, Republic of China, South Africa—South Africa has a quota—does the Republic of China have a quota in this foreign basic group?

Mr. MURPHY. Yes, sir. About halfway down the list, 45,000 tons.

Senator KERR. Yes.

Australia, yes. In other words, what is the justification, let us say, for giving Australia a 300 percent increase in quota, the Republic of China over 300 percent increase, South Africa a 500 percent increase, Mauritius 1,000 percent increase, India 333 percent increase, Dominican Republic nearly 100 percent increase, Mexico nearly 100 percent increase, and giving neither Oklahoma, Texas, nor New Mexico anything?

Mr. MURPHY. Senator—

Senator KERR. You know now I have had lobbyists from most of these countries, including Oklahoma, Texas, and New Mexico for quotas, and it looks to me like under the House bill just about every one of them except those three Commonwealth States or foreign countries, whichever one they might be regarded as by the Department of Agriculture, are taken care of.

Mr. MURPHY. Senator, we do not recommend any of these new quotas, any of these increases in quotas, and we could not undertake to justify them.

Senator KERR. Well, now, if this committee then put a provision in here that—of this how much percent did you say of the domestic

market—how much percent of the total consumption to the domestic producers get?

Mr. MURPHY. Under this bill they would get—

Senator KERR. Under your bill.

Mr. MURPHY. They would get just less than 60 percent of the basic quota—

Senator KERR. Of the increase?

Mr. MURPHY. No, sir; 60 percent of the consumption level that you start with, and—

Senator KERR. What do they get now?

Mr. MURPHY. They get about 55 percent of market growth under the law. Actually they have gotten a little more than 53 percent of the actual market in the last 2 years.

Senator KERR. What have they gotten since Cuba went out?

Mr. MURPHY. It has ranged upward from 53 percent, I think, to about 54. Is that right?

May I ask Mr. Myers?

Mr. MYERS. Senator, the mainland areas had this increase not because—

Senator KERR. Let's you and I start in by using the same language. By "mainland," do you refer to domestic?

Mr. MYERS. No; by mainland I refer only to the continental United States.

Senator KERR. I am talking about—

Mr. MYERS. And I am excluding Hawaii, Puerto Rico, and the Virgin Islands.

Collectively, the whole United States, including those offshore areas, have received no increase since Cuba was excluded as a source of supply.

Senator KERR. All of the increase then has gone to foreign countries?

Mr. MYERS. It has gone to foreign countries, and the administration's proposals—

Senator KERR. Let us just wait. All of the increase has gone to foreign countries?

Mr. MYERS. That is correct.

Senator KERR. During any part of that time provision could have been—

Mr. MYERS. I beg your pardon, I apologize, Senator. I said all the increase. No, about 55 percent of the increases in the total market have been going to the domestic areas; I apologize. I should have pointed out that—

Senator KERR. I do not know why you should apologize for giving 55 percent of the increase to the United States. [Laughter.]

You do not need to apologize to me.

Mr. MYERS. I apologize for misinforming you, Senator.

Senator KERR. You do not need to apologize to this committee.

Mr. MYERS. I apologize for misinforming you.

Senator KERR. I see.

We both agree it was an apology, but I had misunderstood what you were apologizing. [Laughter.]

Senator GORE. Are you sure you misunderstood? [Laughter.]

Senator KERR. Mr. Chairman, I suggest the Senator is out of order under the rules of the Senate. [Laughter.]

Which remark was made as facetiously as was the suggestion. [Laughter.]

During this time the Department of Agriculture has had the authority to make it possible for the allocation of enough tonnage in this three-State area to justify a mill, have they not?

Mr. MYERS. Senator, there have been no areas of freedom of action in the Department of Agriculture.

Senator ANDERSON. Speak a little louder. I do not hear you.

Mr. MYERS. The Department of Agriculture has had no ability to transfer sugar quotas from foreign countries to domestic areas.

Senator KERR. Well, you said you had taken all restrictions off domestic areas.

Mr. MYERS. All acreage restrictions have come off of the mainland areas when they ran out of sugar because of the reallocation of deficits from offshore—

Senator KERR. Wasn't that because you were not getting it from foreign countries?

Mr. MYERS. No, sir. It was because we did not get all of the supplies that we should have gotten under the quotas from the offshore domestic areas, Puerto Rico, Hawaii—

Senator KERR. Well, none of the increase in domestic production resulted from the fact that the quota to Cuba was canceled.

Mr. MYERS. No, sir.

Senator KERR. All of that went to other foreign countries.

Mr. MYERS. All of that went to other foreign countries.

Senator KERR. But the Department of Agriculture did have the authority, you say, to take off all acreage restrictions domestically?

Mr. MYERS. We took off all acreage restrictions domestically when the supplies—

Senator KERR. But you took them off?

Mr. MYERS. We took them off when the supplies were—

Senator KERR. You had the authority to do that or you would not have done it.

Mr. MYERS. Senator, I think there may be a confusion—

Senator KERR. There undoubtedly is.

Mr. MYERS (continuing). Between two forms of restriction. There are two forms of restrictions in the sugar law.

One is a marketing and import restriction. Those are what we call quotas. The other is a production or acreage restriction. We imposed acreage restrictions only when stocks and production prospects are so large that a domestic area is likely to overflow its quota, its marketing quota, and bring on a depressed condition there from over-supplies.

Senator KERR. That is a very pontifical statement, but I do not believe it is in response to my question.

Mr. MYERS. Well, I am sorry.

Senator CURTIS. Will the distinguished Senator yield just briefly? I want Mr. Myers to define a term he has used, in response to your question.

Senator KERR. All right.

Senator CURTIS. The acreage or production quota is applied to the farmer, is that correct?

Mr. MYERS. That is correct, Senator Curtis.

Senator CURTIS. To whom is the marketing quota applied?

Mr. MYERS. Applied to the marketer or importer.

Senator CURTIS. In other words, the ability to refine sugar and market it is a right that, under the law, the Department of Agriculture grants to a particular sugar company.

Mr. MYERS. The ability to market, that is correct. Each of your beet processors has a quota allotted to him for marketing his sugar, and he cannot exceed that.

Senator CURTIS. I won't take any more time now.

Senator ANDERSON. Could I get just one question here?

Senator KERR. Yes.

Senator ANDERSON. You testified that none of the Cuban deficit came to a single domestic producer. Are you sure you can prove that?

Mr. MYERS. Oh, yes. I am quite sure I can do that, sir. There is a very minor element that I would, since you wish the detail I will go into it, even though it may be burdensome, but in the past we have—

Senator ANDERSON. But domestic production under the present legislation would have taken in about 2,100,000 tons, and you took in 2,700,000 tons of domestic producers of beets. Are you sure none of that was stuff that did not come in from Cuba?

Mr. MYERS. Oh, no, sir. That is sugar that was reallocated to the mainland areas from the offshore domestic areas.

Senator ANDERSON. What was the total quota of the offshore domestic areas?

Mr. MYERS. Last year, Senator— Senator, my attention has been called to the fact that the details are in the House report. Last year we had a total requirement—

Senator KERR. Where is that in the House report?

Mr. MYERS. Page 15—no, this is 1960. It still is not right.

Senator ANDERSON. Wouldn't you take the sugar report from your own Department?

Mr. MYER. I need the January one.

Senator KERR. Don't you have a pamphlet issued by the Department of Agriculture entitled "Sugar Reports"?

Mr. MYERS. Yes, sir; we do.

I thought I had the January issue here which gives the last year's figures. For some reason I seem not to have it convenient.

Senator ANDERSON. Senator Kerr, if you would forgive me, while he is looking for that may I ask Mr. Murphy. Mr. Murphy, you would not fool Senator Kerr, for the world. Will you tell him whether or not in this new bill there is any provision whatever that would guarantee 1 acre of acreage to the area he spoke about or any other new grower in the United States? They have to have a sugar mill. The sugar people say they won't build a sugar mill unless they have guarantees. They do have restrictions, and you won't give them any allotment. Therefore, there is not one line in this bill that would give a 100-pound sack of sugar to the area that the Senator from Oklahoma mentioned, is there?

Mr. MURPHY. I do not understand that there is any provision in the bill that guarantees any sugarbeet acreage to any particular area.

Senator KERR. Well, then, is the answer to his question yes or no?

Mr. MURPHY. I take it the precise answer to the question in the form he asked it would be, "No."

Senator KERR. Are you allergic to a precise answer?

Mr. MURPHY. It seems to me that would not be fully informative, Senator.

Senator KERR. Well, you could, at least, give the precise answer and then if you wanted to make a speech on it, that would be something else. I would appreciate a precise answer.

That was the basic question I asked you, and you got me detoured here to this encyclopedia of knowledge and information, much of which is redundant to the question I asked him.

I appreciate the Senator from New Mexico bringing us back to the focal point.

Senator ANDERSON. The only one question I want to ask, I will say to the Senator from Oklahoma is this: If you wanted to protect these areas, you could do similar to what we did in Public Law 12 many long years ago, namely, if a man switched from cotton and grew war crops, you protected him with respect to a quota. When he emerged from those emergency crops, he went into cotton.

If you want to get sugar production in the United States, and did not want to go to the foreign sources, all you would have to do is to guarantee Senator Curtis and Senator Carlson and various other people, Senator Kerr and others—

Senator BENNETT. Don't leave me out.

Senator ANDERSON. You have more quota than anybody, but I will take you in because you have been very helpful in this.

Senator GORE. In what?

Senator ANDERSON. In trying to get some acreage for American producers instead of putting it all in India and Ceylon and elsewhere.

Senator KERR. Don't forget Mauritius.

Senator ANDERSON. Mauritius.

This is to guarantee that if a sugar mill was established on the basis of these deficits and quotas were given to domestic producers only as low as 50,000 tons, that you would then recognize the acreage they planted and give it history, whether it had it or not.

We gave history under Public Law 12, whether it had it or not. You could do it this time. But the Department is allergic to that, is it not?

Mr. MURPHY. I do not understand the question, Senator.

Senator ANDERSON. Well, all right.

Senator KERR. Is there anybody in the Department who can?

Senator ANDERSON. Mr. Bagwell remembers it very well.

Mr. BAGWELL. I remember Public Law 12.

Senator ANDERSON. You surely do.

Mr. BAGWELL. There is nothing in the bill that would assure acreage to any particular new area.

Senator ANDERSON. But by guaranteeing if a man planted—if a sugar mill is established, and a man planted—in order to make possible a supply for that sugar mill, he could acquire history, like Billie Sol Estes acquired history for his cotton down there, he acquired history, he then would be in position to keep that sugar mill going and make his investment.

As it is, no sugar mill will be built. There is no point in talking about it. We have had many people in this area, in the California

area, Red River area, Nebraska, everybody else talking about mills. But they won't build unless they have some guarantees.

Mr. BAGWELL. I think the Secretary of Agriculture has the authority under this bill to guarantee up to an acreage that will produce 50,000 tons of sugar for any given area.

Senator ANDERSON. If there are restrictions.

Mr. BAGWELL. Well, of course, if there are no restrictions, anybody can plant any acreage.

Senator ANDERSON. Yes. But if they plant when there are no restrictions and then restrictions go on, they do not have any history, so they would be out. You would acknowledge that, wouldn't you?

Mr. BAGWELL. That is generally true; yes, sir.

Senator ANDERSON. That is what the trouble is, isn't it?

Mr. BAGWELL. Yes.

Senator ANDERSON. You do not have a guarantee of any kind or any description to an American grower. But if you take the House bill and put in the House guarantees to all these new countries, they have got some history, haven't they?

Mr. BAGWELL. They have got some quota.

Senator ANDERSON. Well, call it whatever you wish. They have got a pretty good history, and that is what I thought the Senator from Oklahoma was trying to get at.

Is there some way that you can guarantee any of this domestic increase to those areas now seeking a sugar mill? The Senator from Nebraska has talked to me many times. He has some established quota in his area, established growers. New growers would like to establish some acreage. Why can't we find a method by which eventually some sugar mill can come in, and guarantee for those acres, which is the point of the Senator from Nebraska, and the point of the Senator from Oklahoma.

I apologize, Senator.

Senator KERR. I appreciate it, and I would now like to have an answer to the question.

Mr. MURPHY. We would be glad to have guidance from the committee, and we will be glad to work with you and Senator Anderson and the committee to try to arrive at a proposal that will accomplish what you want to accomplish.

Senator KERR. Apparently 700,000 additional tons went to the mainland areas last year, or were produced by the mainland areas. Is that disclosed in that tabulation of facts?

Mr. MYERS. Senator, yes. We have had that type of production increase in beets and mainland cane, yes; that is correct.

Senator KERR. Yet there has not been a guarantee by the Department of Agriculture made available to a single new mill in a single new area, has there?

Mr. MYERS. No, Senator. We—

Senator KERR. All right, just stop right there.

Mr. MYERS. That is right.

Senator KERR. That is fine. That is a definite answer, and I congratulate and thank you.

Now, did the Secretary say that he would be willing for a provision to be made in this bill by which the Secretary would inaugurate a program that would result in such guarantees to such areas, those of

limited production but no mill, and those of no production because of no mill?

Mr. MURPHY. If I understand the proposal now, Senator, and I believe I do, it seems to me it would be highly desirable to do what you and Senator Anderson have indicated.

It seems to me quite clear that no one is going to build a sugar mill relying on production from acreage when the right to produce might be taken away all of a sudden.

Senator KERR. The disappointment of the Senator from Oklahoma is and stems from the fact that he believes the Secretary has had the authority and has not, under the law we now have, but that it has not, been used.

Senator ANDERSON. I think, in fairness to the current Secretary of Agriculture, I do not believe he had the right to give history. He had the right to let the mill do the production, but he could not protect the history of the acreage. The Senator from Oklahoma indicated that the Department of Agriculture might be willing to let them acquire history if a mill were built in order that they might have a guarantee to supply it.

I think that is the most interesting reply we have had and the most favorable reply we have had for a long time, and I thank the Under Secretary for it.

Mr. BAGWELL. Senator, as the Sugar Act exists now, the Secretary of Agriculture is authorized to take the total quota for the area and divide it among sugar processors. But it has to be done in part on the basis of history of marketing of sugar, by the bill.

Senator KERR. Not entirely.

Mr. BAGWELL. Not entirely. I say, in part.

Senator KERR. And in indicating that process or—and I yield to the superior knowledge of the Senator from New Mexico—but I had thought the Secretary, in granting him that permit or authority or privilege, whatever it is, to the processor, he could have included a contingency that the mill be built at a different area than where they now are.

Senator ANDERSON. That is right. I think that is right. I know he had no authority to give them history. He failed to have the right to give them history.

Senator KERR. He could have gotten the mill built.

Senator ANDERSON. I think he might. I learned a long time ago to take Mr. Bagwell's comments and advice when I was in the Department, along with other good lawyers. But I do think the point the Senator from Oklahoma has made if they can get this history, then a mill could be built, and it would be an important contribution, that made by Mr. Murphy.

Senator KERR. And the bill, whatever legislation we passed, would be adequate if we had a provision in it that would authorize to give him the history simultaneously with the permit to process.

Mr. BAGWELL. Senator, I think the people who are investing their money in a new mill would want more assurance than we could give them under the present law.

Senator KERR. How difficult would it be to provide an amendment that would give them that which would be adequate?

Mr. BAGWELL. Not difficult at all.

Senator KERR. Would you prepare such an amendment?

Mr. BAGWELL. I certainly will.

(The following was later received for the record:)

SEC. 5. Section 205(a) of such Act is amended (1) by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the language ", limited in any year when proportionate shares were in effect to processings", and (2) by inserting after the second sentence thereof the following sentence:

"The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation."

At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

Senator KERR. Thank you very much. The administration would be agreeable to such an amendment for the stated purpose and, if granted, would follow through on the procedure outlined, is that correct?

Mr. MURPHY. Yes, sir. It seems to me entirely reasonable if you are going to propose to build a new mill you ought to create conditions that make it possible for it to be done.

Senator KERR. That is a general answer to the question I was trying to ask. Do you know where Mauritius is?

Mr. MURPHY. I do not, sir.

Mr. BAGWELL. Senator, I would like to go back to your question to the mill.

You understand under the bill the Secretary would have authority only to allot an acreage of beets that would produce 50,000 tons of sugar. A mill exists only if it has farmers producing beets near it.

Senator KERR. Sure, I understand.

Mr. BAGWELL. We would not be able to allot more than an acreage equal to 50,000 tons in any one year, which would mean about one mill a year.

Senator KERR. You mean under existing law?

Mr. BAGWELL. Under this bill.

Senator KERR. Then instead of, let's say, giving 900 percent increase to Mauritius which so far as I know nobody knows where it is——

Senator BENNETT. May I take a disclaimer on that?

Senator KERR. I want to make an exception. The Senator from Utah is exceptionally well informed.

Senator BENNETT. I looked it up yesterday. [Laughter.]

Senator KERR. While it is fresh in your mind would you share your knowledge with us?

Senator BENNETT. It is several hundred miles east of Madagascar in the Indian Ocean.

Senator KERR. Longitudinally and latitudinally where is Madagascar?

Senator BENNETT. Madagascar is off the east coast of Africa toward the southern tip, and this is east of Madagascar, about 300 miles, as I remember it, it could be five.

Senator KERR. You know where Oklahoma is, don't you, Mr. Secretary?

Mr. MURPHY. Yes, sir.

Senator KERR. And New Mexico and Texas?

Mr. MURPHY. Yes.

Senator KERR. You see, this increase of Mauritius would take care of two mills, and so it will be very easy to amend the law so that the Secretary could make provisions for more than one mill in the area, wouldn't it?

Mr. BAGWELL. I am sure it could.

Senator BENNETT. Would the Senator yield again?

Senator KERR. Just one more question and I will be through. How many additional mills would we have to authorize before this tristate area would get one?

Mr. BAGWELL. Senator, frankly, I do not know. The Secretary is given discretion, and he would have to pick and choose. I am afraid I wouldn't be in position to answer it.

Senator KERR. Somebody is going to answer that question. Somebody is going to answer that question. Who can answer it?

Mr. MURPHY. I don't believe that we can answer it, Senator, at this stage.

Senator KERR. This is getting pretty late.

Mr. MURPHY. The legislation provides, contemplates, that different areas that are interested will have an opportunity to make their in-

terest known. This probably will be a hearing and the Secretary will have the somewhat doubtful privilege of choosing between them.

Senator KERR. Well—

Mr. MURPHY. And I think he could not say until he had heard the evidence and claims of the presentation of all of them which one he would choose.

Senator KERR. Well, assuming we are going to fix it maybe so he can choose more than one, and the question was how many would we have to provide for before one could be provided or granted in the area referred to.

Mr. MURPHY. This question I cannot answer.

Senator CARLSON. Will the Senator from Oklahoma yield?

Senator KERR. How long would it take you to get that answer?

Mr. MURPHY. I would have to have a conference, Senator, with my colleagues, and I am not certain.

Senator KERR. The Senator from Oklahoma is just one member of this committee, but it is his hope that this bill doesn't come out of this committee until that information is furnished.

Mr. BAGWELL. Senator, it seems to me if the Secretary were faced with the decision in 1963, for example, between area A and area B, and the mill in area A was much further along and would be ready to put into operation in 1963, whereas the mill in area B would not be, I think the choice would be rather simple.

But if they were equally advanced in structure and ready for completion of operation, why, that is different.

Senator KERR. I understand there are about three areas vitally interested.

Mr. BAGWELL. At least that.

Senator KERR. And I see no reason why, when we are contemplating giving the Dominican Republic, for instance, an additional quota sufficient for three mills, and Brazil, which is engaged in the process of taking property away from American nationals who are down there, without any kind of compensation, enough for three additional domestic mills, and—did you say Mauritius was close to South Africa?

Senator BENNETT. Yes.

Senator KERR. South Africa is in here also for two additional, and Mauritius for two additional. Now the fine gentleman on the staff here has just given me this note.

Mauritius is a small island off the southern tip of Africa, 725 square miles, with a population of about one-half million.

Senator SMATHERS. Is Mauritius recommended by the House or by the administration?

Senator KERR. It is in the House bill, but I want to say this, the House bill does have this merit, it is specific about where these benefits are going. [Laughter.]

Senator SMATHERS. I just wondered if it was Secretary Murphy who recommended Mauritius.

Mr. MURPHY. The quota is not recommended by the administration, the allocation is not recommended by the administration.

Senator KERR. Is there an allocation recommended by the Secretary for Oklahoma, Texas, and New Mexico?

Mr. MURPHY. Not as such; no, sir.

Senator KERR. Well, as such or in any other way?

Mr. MURPHY. He has recommended this 50,000 tons a year which would be available for one new mill each year in the United States. I do not see how the Secretary could very well say where this mill would be built until he knew the areas which would be interested, which would make a claim for it, and had heard the story from each of them.

Senator KERR. I want to say this, Mr. Secretary, the Secretary or somebody down there has not been without information of the interest in these various areas. This is not the first time this matter has been brought to the attention of the Department of Agriculture.

Senator MORTON. Will the Senator yield?

Senator KERR. I believe the gentleman there wants to say something.

Mr. MYERS. Senator, you are quite right, this is not new to the Department of Agriculture. We have known of this demand for acreage for some years. It has been growing, getting progressively stronger. The old law under which we have operated and will continue to operate until June 30 of this year—

Senator KERR. That is not very long.

Mr. MYERS. It is not very long. It requires that when we give out acreage we can do so on only two conditions: past production and ability to produce and ability—we have had to use a demonstrated ability because the rest of it is too intangible.

Senator KERR. And process.

Mr. MYERS. Now this is the first time that we have ever had even a suggestion of an ability to disregard the history—

Senator KERR. You mean the authority?

Mr. MYERS. I beg your pardon. Have the authority to disregard past history and say, "All right; here is a new area."

Now, one reason we are so anxious to have guidelines from the Congress on this, we know of a great many areas that are anxious to build mills. Arizona, your tristate area, Senator Curtis' area in Nebraska, the Red River Valley, even the Wabash Valley. They have a Wabash Valley Beet Growers Association. They have never produced beets there, but they have it, to get in a sugar mill.

Ohio, New York State has at least one, if not two; there is some talk about Maine wanting to get into the act. Missouri I forgot—they want to. They have been carrying on experiments for several years to determine the feasibility of growing sugarbeets.

Then, of course, there are many areas out in the Mountain States and Western States, Pacific Northwest in particular, that have wanted additional mills.

Senator KERR. In spite of all of this information, in spite of all this interest, in spite of all this need expressed by the representatives of these areas, the Department of Agriculture has never come before this committee with a single suggestion as to formulating a program to permit that to be brought about.

Mr. MYERS. Heretofore we have had to, when we had restrictions in effect at all—had to hold back the old growers, and there was a good deal of argument against having the old growers cut back further for the benefit of the new growers.

Senator KERR. I am not talking about the old growers. I am talking about taking the growth; I am talking about taking the—

Mr. MYERS. Even with growth, they have not until recently been able to produce at a full capacity for the old growers.

Senator ANDERSON. Mr. Chairman, I think he ought to put in the record at this point what the old growers have been doing. It is a substantial growth. It runs from something like a million and a half tons to up to over 2 million tons, and this year 2,700,000 tons. The old growers have not had difficulty, not a bit, and Mr. Myers knows it.

How many years have you held them back?

Mr. MYERS. We started holding them back in 1955, Senator, 1955, 1956, 1957, 1958, and 1959.

Senator ANDERSON. Has there been no growth? If the Senator will excuse me.

Senator KERR. I appreciate the help of the Senator from New Mexico. As I say, he has more knowledge on it than I do.

Senator ANDERSON. No; but I did participate in the writing of an act in 1948, and I think everybody who knows anything about it would concede because of what Cuba had done for this country, in selling its crops we tried to protect Cuba to the fullest.

Mr. MYERS. That is right.

Senator ANDERSON. But that obligation ceases when a different type of government comes into Cuba and I have been trying hard ever since to see to it that some of this comes over to the United States and that is why I was shocked at your testimony of the Cuban production has gotten here. Look at the increase in production there has been this 1 year, according to the sugar reports for February. I am not going to try to find it again, but a very substantial increase.

In the House report on page 2, I guess it is, it lists domestic beet sugar present legislation 2,110,000; H.R. 12154, 2,650,000.

Now, isn't the production this year going to be about 2,700,000?

Mr. MYERS. Probably so.

Senator ANDERSON. So under the House bill you would have to cut back the domestic produced a little bit.

Mr. MYERS. Well, actually no, Senator, because our stocks of beet sugar are below good working levels, so they need to be built up again.

Senator ANDERSON. Well, 2,700,000 is more than 2,650,000, isn't it?

Mr. MYERS. It is more than that.

Senator ANDERSON. We have that established.

Mr. MYERS. But we need to have a lot bigger stocks than we have.

Senator ANDERSON. Yes; I grant that, but what I am trying to say is that the domestic grower who only a few years ago was producing a million—1,300,000 and 1,400,000 tons gets up to 2,700,000 tons, his throat hasn't been completely cut, has it?

Mr. MYERS. Oh, no; it is—it has not been cut.

Senator ANDERSON. I don't want it to be. I am glad to see the production come in, but every time—

Mr. MYERS. But the point I was trying to make, Senator Anderson, is that we are now at the point where you have substantially full production for the existing factory capacity.

Senator ANDERSON. I want to say the only reason I mentioned a moment ago—mention was made about Arizona—Arizona is very happy, I think, growing sugarbeet seed. It is a very profitable crop and they grow a tremendous lot of it.

If this, the Senator from Oklahoma mentioned, would be opened up, Arizona would have a new immediate market for a very fine crop of sugarbeet seed. The area in California near Fresno is a very desirable location for sugarbeet.

There is an area up in Washington-Oregon, I think you would concede, which is a very fine prospect for sugarbeet. There is one in the Red River Valley in North Dakota. There is one in Senator Curtis' State of Nebraska.

There are areas in the State of the Senator from Kansas, Mr. Carlson, which he has been trying to help steadily in this committee, but every time we run up against a stone wall; and I say very frankly to the Senator from Oklahoma and to the representatives of the Department this is the first time I have heard from them an expression that they might like to do something that might help in conferring history, and I think there is something to it.

Mr. MYERS. And I think the statement made by the Senator from Oklahoma and the Secretary of Agriculture is the best statement we have had in a very, very long time, and it is a very useful statement.

Senator KERR. I want to make one correction here. I had thought that Mauritius was getting only a thousand percent increase. But I now am advised that the 10,000 tons basic quota for this 4½-year period is the first time Mauritius has ever had a quota.

Senator ANDERSON. Especially as they have a representative here this morning.

Senator KERR. So they are given a basic quota and a temporary quota totaling 110,000 tons to an area 720 square miles with a population of about half a million.

Senator MORTON. Would the Senator yield at this point?

Senator KERR. Yes.

Senator MORTON. I agree on this Mauritius business. I don't know anything about it, but I do want to straighten out one point. You were talking about these various countries and you indicated that Peru's quota would provide for three sugar mills and Brazil's for three sugar mills.

Senator KERR. No; I said that amount of sugar would be enough to provide three domestic mills.

Senator MORTON. Yes; I understand. But remember what you are talking about is the division of the million and a half Cuban quota—not basic quota.

Senator CURTIS. Some of it is.

Senator MORTON. Not the 150,000 additional for Brazil.

Senator CURTIS. Brazil has no basic quota now, and they would get a basic quota of 193,620 tons in addition to allocation of 152,928, or a total of 346,548 tons.

Senator MORTON. Yes; but, Senator, I just wanted to get the discussion straight. I was referring to the remarks by the Senator from Oklahoma who was using the division of the Cuban quota as his illustration. I merely wanted to point that out.

I think this Cuban quota, however it is divided up, must be in some amount preserved. We all hope that Cuba will throw off Castro and when that does happen we all recognize that for the Cuban economy to survive under freedom they must have a fair share of the U.S. sugar market.

Senator KERR. All right.

Let's go back to that staff memorandum on proposed quotas I gave you there. Let's just go down that list.

The first is Cuba, 1,500,000 tons, which is allocated under the House bill to other areas on a temporary basis.

Senator MORTON. Yes.

Senator KERR. Philippines, 1,050,000 tons.

What has that been?

Mr. MURPHY. Something over 900,000.

Mr. BAGWELL. 980,000.

Senator KERR. That is a 70,000-ton increase.

Senator ANDERSON. Why don't he tell what the Philippines got the last time?

Senator MORTON. We are dealing with a treaty.

Senator KERR. Peru, 200,000 tons.

What do they have?

Mr. MYERS. 108,000.

Senator KERR. Dominican Republic, 200,000 tons.

What did they have?

Mr. MYERS. 96,000 tons.

Senator KERR. Mexico, 200,000 tons.

Mr. MYERS. 80,000.

Senator KERR. Brazil, 190,000 tons.

What did they have?

Mr. MYERS. Zero.

Senator KERR. British West Indies, 100,000.

What did they have?

Mr. MYERS. Zero.

Senator ANDERSON. Could I ask whether that is going to be produced in the British West Indies? I have been down there and I thought—not too recently—and I thought they had sort of abandoned their sugar production. I saw the sugar mills out of production; they weren't working any more. Where will this be grown? In which island?

Mr. MYERS. Senator, they produced on quite a few of the islands. Jamaica is, of course, the biggest one.

Senator ANDERSON. Jamaica is part of the British West Indies and it is going to produce this.

Mr. MYERS. Well, it is one of the producers, Senator.

Senator MORTON. Trinidad—

Mr. MYERS. And also British Guiana is treated as a part of that.

Senator SMATHERS. What did you say? I didn't hear that.

Mr. MYERS. Jamaica, Trinidad, Barbados, British Guiana, and some of the smaller islands. The figures I happen to remember, Senator Anderson, in round figures: British Guiana has been exporting about 350,000 tons and the rest of the British West Indies about 850,000—all of it going, of course, to the British, the United Kingdom.

Senator ANDERSON. Most of it goes to the British?

Mr. MYERS. Substantially all of it; a little of it to Canada.

Senator KERR. But they have had no quota.

Mr. MYERS. No U.S. quota.

Senator KERR. Australia, 50,000 tons.

Mr. MYERS. And they had no U.S. quota.

Senator KERR. French West Indies, 40,000.

Mr. MYERS. Zero.

Senator KERR. Costa Rica, 30,000.

Mr. MYERS. Costa Rica had 2,000 tons.

Senator KERR. Nicaragua, 30,000.

Mr. MYERS. They had 15,000.

Senator ANDERSON. How many?

Mr. MYERS. 15,000 tons.

Senator KERR. Republic of China, 45,000.

Mr. MYERS. They had about, I beg your pardon, I said for Costa Rica, I should have said about 3,500, approximately 4,000. And substantially 4,000 for the Republic of China.

Senator KERR. 4,000 up to 45,000 that is what it is, isn't it?

Mr. MYERS. That is right.

Senator KERR. Ecuador, 30,000.

Mr. MYERS. They have had none.

Senator SMATHERS. What?

Mr. MYERS. Zero.

Senator KERR. Colombia, 35,000.

Mr. MYERS. Zero.

Senator KERR. Haiti, 25,000.

Mr. MYERS. Haiti had about 7,000, a little more.

Senator KERR. Guatemala, 20,000.

Mr. MYERS. Zero.

Senator KERR. Argentina, 20,000.

Mr. MYERS. Zero.

Senator KERR. India, 30,000 tons.

Mr. MYERS. Zero.

Senator KERR. South Africa, 20,000.

Mr. MYERS. Zero.

Senator KERR. Panama, 15,000.

Mr. MYERS. Panama had just under 4,000.

Senator KERR. El Salvador, 10,000.

Mr. MYERS. Zero.

Senator KERR. Paraguay, 10,000.

Mr. MYERS. Zero.

Senator KERR. British Honduras, 10,000.

Mr. MYER. Zero.

Senator KERR. Fiji Islands, 10,000.

Mr. MYERS. Zero.

Senator KERR. Netherlands, 10,000.

Mr. MYER. The Netherlands had 4,000.

Senator KERR. Mauritius?

Mr. MYER. Zero.

Senator CURTIS. Would the Senator yield very briefly right there?

Senator KERR. I would just like to ask one question and then I will.

Senator CURTIS. I made a tabulation of the figures here.

Senator KERR. All right.

Senator CURTIS. Countries that had no basic quota under existing law have been assigned under the House bill a basic quota of an amount of sugar equivalent to provide for around 19 or 20 plants in the United States.

Senator ANDERSON. That is right.

Senator MORTON. Would you yield?

May I straighten this thing out because you are talking now about the basic increase, as differentiated between the assignment of the Cuban quota. I think the committee should bear this in mind, whatever its final conclusions are, because in your original presentation I

was afraid you were getting us off on the distribution of the Cuban quota.

Now, you are on the track, because——

Senator KERR. I want to tell you that this is not a monorail I am trying to travel on.

Senator MORTON. I want to get on the same train with you, you see.

Senator KERR. Good.

Senator MORTON. You were starting down a dead end switch on the Cuban quota and I couldn't get on that track with you, but I might be able to get on this one.

Senator KERR. Fine.

Here is what I would like to ask you, Mr. Murphy.

Doesn't every ton of this sugar that is bought from these countries have to be paid for in dollars that are convertible into gold?

Mr. MURPHY. Yes, sir.

Senator KERR. So that we are talking about here on the one hand of a million tons of basic quota approximately, a million and a half tons reassignment of Cuban quota or 2½ million tons a year of imports of sugar that have to be paid for in dollars that are convertible into gold, correct?

Mr. MURPHY. That is correct. That is not——

Senator KERR. How much does it, what do they get a ton under that bill?

Mr. MURPHY. Under the House bill they would get approximately \$100 a ton, wouldn't they? \$110 a ton?

Senator KERR. That is 250 million tons at \$110 a ton. Mr. Bagwell is shaking his head.

Mr. BAGWELL. Not 250 million.

Senator KERR. Two and a half million.

Mr. MURPHY. Two and a half million.

Senator KERR. At a hundred and how much a ton?

Mr. MURPHY. \$110.

Senator DOUGLAS. \$275 million.

Senator KERR. That is \$275 million drain on our gold, is it not?

Mr. MURPHY. That is not the total amount of imported sugar.

Senator KERR. I understand, but that is the total amount of new basic quota and reallocated Cuban quota.

Mr. MURPHY. I think that is substantially correct. I think it is actually a little more than that.

I think there are a million eighty-five thousand plus a million and a half tons.

Senator KERR. A million eighty-five thousand tons, plus a million and a half tons.

Mr. MURPHY. So I think it is 2,585,000.

Senator KERR. 2,585,000 tons at \$110 a ton is nearly \$300 million of drain on our gold reserves, isn't it?

Mr. MURPHY. Yes, sir.

Senator KERR. Now, every ton of that that could be produced domestically would reduce the drain on our gold reserves by that amount, wouldn't it?

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

Senator KERR. What is your recommendation on that?

Mr. MURPHY. Our recommendation is that the same total amount of sugar be imported. It is not our recommendation that it be allocated in quotas in this fashion. Our recommendation is that the sugar be imported, in effect, at the world price, and in that case, the cost would be approximately half as much and the drain on our gold reserve would be reduced by about 50 percent.

Senator DOUGLAS. Would the Senator yield at this point?

Senator KERR. Yes.

Senator DOUGLAS. Do I understand the world price now is approximately $2\frac{1}{2}$ cents a pound?

Mr. MURPHY. Approximately $2\frac{1}{2}$. Mr. Myers can be more precise about this.

Senator DOUGLAS. And the domestic price laid down at seaboard including duty and freight is approximately 6.3 cents a pound?

Mr. MYERS. Yes, Senator, prices have gone up a little bit since you got your figures apparently. The world price is now approximately \$2.60 to \$2.70 a hundred pounds, and the domestic price about 6.4 to 6.5, those are in round figures.

Senator DOUGLAS. Yes.

Now, the duty and freight would amount to about 1 cent.

Mr. MYERS. Approximately.

Senator DOUGLAS. So that—

Mr. MYERS. A little bit less than that.

Senator DOUGLAS. So the price plus duty and freight laid down at Seaboard—the price rather would be 5.5?

Mr. MYERS. Approximately.

Senator DOUGLAS. And the world price would be 2.7?

Mr. MYERS. That is right.

Senator DOUGLAS. Or a subsidy of 2.8 cents per pound.

Mr. MYERS. That is correct.

Senator DOUGLAS. Or a subsidy of \$56 a ton.

Mr. MYERS. That is correct.

Senator DOUGLAS. And this on 3.9 million tons of sugar imported comes to a total of \$218 million?

Mr. MYERS. That sounds correct.

Senator DOUGLAS. And excluding the Philippines, a subsidy of \$162 million?

Mr. MYERS. That sounds correct.

Senator DOUGLAS. Paid by American consumers. I won't say anything about the subsidy to the domestic producers, but that comes to—

Senator KERR. You are beginning to build up a little support. I would hate for you to lose it. [Laughter.]

Senator DOUGLAS. So it can be said that the subsidies to the producers—domestic producers is \$332 million.

Does the administration propose to reduce the subsidy to domestic producers?

Mr. MURPHY. No, sir.

Senator DOUGLAS. In fact, you increased the amount allotted to domestic producers by about 650,000 tons, did you not?

Mr. MURPHY. That is correct.

Senator DOUGLAS. Or an added subsidy to domestic producers of \$40 million approximately?

Mr. MURPHY. I am not sure we would use the term "subsidy," Senator.

Senator DOUGLAS. Well, subsidy paid by consumers in excess of what the world price would be.

Mr. MURPHY. The price, the premium price, is higher than the world price would be and the quotas for domestic producers under that would—

Senator DOUGLAS. Would come to \$40 million, isn't that true?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Now, may I ask in the case of Peru, which has a 200,000 basic plus 150,000 temporary, that is 350,000 tons, at \$56 a ton, according to my figures that comes to a subsidy paid by consumers of \$19,600,000. Is that approximately right?

Mr. MURPHY. I haven't done the arithmetic, Senator. But I think it is.

Senator DOUGLAS. Who owns the mills and who owns the acreage in Peru?

Mr. MURPHY. I do not know, sir.

Senator DOUGLAS. You do not know.

May I ask if that is correct that the W. R. Grace Co. owns 18 percent of the acres and 21 percent of the milling capacity. Mr. Myers, could you inform me?

Mr. MYERS. I would not want to speak authoritatively on that subject, Senator, but from all I have read those figures would sound correct.

Senator DOUGLAS. I may say we have collected these figures and believe them to be correct and I will ask at an appropriate time they be inserted in the record.

Now, is it true that the Nepena Co. which is American controlled has 5 percent of the acreage and 5 percent of the milling capacity?

Mr. MYERS. Frankly, Senator, I do not know that.

(A letter from W. R. Grace & Co., which Senator Douglas received subsequent to this discussion, appears on p. 61.)

Senator DOUGLAS. Is it true there is a German family which has even larger holdings than the W. R. Grace Co.?

Mr. MYERS. I know of the name you referred to as a German or French name; I am sure it is an old Peruvian family.

Senator DOUGLAS. But they have even larger holdings than Grace.

Mr. MYERS. I think so, yes.

Senator DOUGLAS. Has not in the past this reallocation of the Cuban sugar given a windfall of around \$150 million a year or total windfall of \$300 million to a relatively small number of foreign producers?

Mr. MYERS. Yes, Senator, that is correct.

Senator DOUGLAS. The answer is "Yes."

Mr. MYERS. The answer is "Yes." In some cases, I should in fairness say or completeness, say, that in some cases a portion of that windfall has been drawn off by the countries for tax purposes and in some cases it has been divided to some extent with labor.

Senator DOUGLAS. But most of it—but not necessarily all of it—has stayed in the pockets of a relatively small group who own the majority of the acreage and control the sugar mills, isn't that true?

Mr. MYERS. I think that that would be a fair statement collectively.

Senator DOUGLAS. Mr. Chairman, I hope that we do not pass this bill

out. If the bill is passed by Congress, I hope the President vetoes it.

Senator KERR. Now, then, I thank the Senator—

Senator DOUGLAS. I hope we do not pass the House bill.

Senator KERR. I thank the Senator for his contribution.

I would like to finish the question.

Senator DOUGLAS. I thought since the Senator had taken an hour and a quarter he would not object if one—if someone else asked questions.

Senator KERR. I would say that is a very gracious expression of gratitude for my yielding to the Senator. [Laughter.]

Senator ANDERSON. Would the Senator from Oklahoma permit one observation?

I would only say, Mr. Myers, I think you and I might agree that the elimination of all these so-called tariffs might change the world price some. I think I had some experience in the Department which persuaded me when you remove those restrictions and, therefore, throw a lot of surplus on the world market, and permit them to mix, the price goes up slowly. You couldn't guarantee the world price would stay down if there was wide-open competition from the American market.

Mr. MYERS. I think that is a very worthwhile characterization of the situation, Senator, and also it is implicit in the administration's recommendations, because we would not feel that the purchase of our sugar on the world market would have an effect other than a buoyant effect on the world market.

Senator ANDERSON. I only wanted to suggest, Senator Douglas, he explain what bill he referred to because I believe he supports the administration bill and I know I do and I thought his remarks—

Senator DOUGLAS. I may say I am leading up to the identical proposal which I made in committee last year, which was passed out by this committee by a unanimous vote.

I regret to say at that time the State Department opposed it, and they beat us on the floor and continued the present practice which has resulted in building up vested interests and making enormous profits for a relative few. I am glad that the State Department has reversed itself now and I hope we can march together on a program which will take away this unconscionable subsidy to a relatively few foreign producers and put the money into the U.S. Treasury where it can be used for the benefit of the American taxpayers.

Senator ANDERSON. I only add to that I supported Senator Douglas then. I thought it it was a good amendment, then, and I think it is a good amendment now, and I think it is in the Senate bill.

I only want to say to the Senator from Oklahoma if he will excuse me only 1 second, that in the Senate bill there are a great many Members of the Senate sponsors including Senator Bennett of Utah, Senator Smathers of Florida, Senator Long of Louisiana, the Senator from Georgia, Mr. Talmadge, and others, and therefore, I am happy to have the Department testify that this is the bill which it prefers and which it would support.

Mr. MURPHY. Thank you.

Senator GORE. Senator Kerr, since you are of such a liberal yielding mind, would you yield to me for one question?

Senator KERR. If I do so will it be followed by reference concerning the amount of time which I, and those to whom I have yielded have consumed? [Laughter.]

Senator GORE. I would prefer not to commit myself, but if that is a condition for yielding, I will promise.

Senator KERR. Very good. I will yield.

Senator GORE. Mr. Secretary, this is a subject to which I have not devoted very much study. My colleagues have about convinced me that the American people would be better off with no sugar bill than the bill passed by the House, and they have about convinced me that the American people would be better off without passage of any sugar bill at all.

Will you answer those two questions?

Mr. MURPHY. Yes, sir.

We certainly would not agree that the American people would be better off with no sugar bill at all. We believe that the Sugar Act, as it works with respect to domestic producers and its general effect on American consumers, is good.

If the choice were between the House bill and no bill at all, it would be an extremely difficult choice. I would hope we never have to face it. I hope that the administration is not confronted with that choice.

Senator GORE. I thank the Senator from Oklahoma, and now I shall listen with rapt attention as he proceeds in his very timely interrogation.

Senator KERR. Well, there are two questions I want to ask and then I want to yield to the Senator from Louisiana.

No. 1, assuming that the price paid for sugar includes the subsidy to whoever furnishes it for the sake of this question. To the extent that the subsidy goes to domestic producers it does not constitute a drain on our gold, does it?

Mr. MURPHY. That is correct.

Senator KERR. And that is a most significant difference at the present time under present circumstances?

Mr. MURPHY. It is; yes, sir.

Senator KERR. Assuming that the price domestically includes a bonus or a subsidy, it is not given to a limited few, but to hundreds of thousands of American farmers who make their living and support their families and make their contributions to this economy here at home.

Mr. MURPHY. It is a considerable number of American farmers, Senator. I don't believe the number is that large.

Senator KERR. Whatever it is, it is a widely separated—

Mr. MURPHY. That is true.

Senator KERR (continuing). Large group?

Mr. MURPHY. That is true, and spread over a large part of the United States.

Senator KERR. And there is no identity of ownership between the processor and the producer?

Mr. MURPHY. There frequently is, I believe.

Senator KERR. But substantially that is true?

Mr. MURPHY. In the case of beets, I understand the general pattern in the case of beets that producers and processors are different.

Senator KERR. Are different?

Mr. MURPHY. Are different entities, that is my understanding.

Senator KERR. And if it is a subsidy it goes to the producer, the farmer?

Mr. MURPHY. That is true.

Senator KERR. I want to thank you very much, and I appreciate the answers that you have given.

I yield to the Senator from Louisiana.

Senator LONG. I would just like to say, Mr. Secretary, that insofar as Louisiana is concerned, we don't have one or two large producers. We have a great number of cane producers and a lot of people working in those fields. I am happy to say that is due in considerable measure to the pressure of your assistant, Mr. Myers.

We have greatly improved our methods and we are producing about 50 percent more sugar than we did 20 years ago with about half the labor. But costs have gone up and it is very important to us that our producers, especially those who sell raw cane sugar, be able to get a price sufficient so that they can exist.

I want to personally thank you and Mr. Myers and those who are connected with your staff. You have attempted to administer this act in such a way that those people could exist.

Would you mind just indicating what would be the problem with respect to our people who have historically been in the sugarcane business in the event that we do authorize a number of additional mills?

I am sure I might be importuned by my own people about it and like the Senator from Oklahoma, I am against any combine that I "ain't" in on.

Also, could this be worked out in such a way that we would be assured that the present producers would not be prejudiced if, say, Cuba became a democratic nation?

Mr. MURPHY. I think it is worked that way in the Senate bill at the present time, Senator, so far as the Louisiana cane producers are concerned.

Senator LONG. If we amend it in the fashion being suggested by the Senators from Oklahoma and Arizona, could that amendment be worked out in such a fashion that in the future the existing producers would not be prejudiced by bringing in this new production?

Mr. MURPHY. As I understand it, the amendment that would grant history to producers that would sustain a new beet sugar bill would have no adverse effect on the Louisiana cane producers at all.

Senator LONG. I usually like to vote for the other fellow's State provided it doesn't hurt mine, but I just wanted to be sure it could be worked out in such a fashion that it would not hurt the existing producers.

Senator KERR. I would like to have you put in the record with reference to these new basic quotas and the new distribution of the Cuban quota temporarily, how many tons of it would go to countries outside of this hemisphere.

Mr. MURPHY. We will be glad to do that, sir.

Senator KERR. I think you will find it is a very substantial amount, and it would seem to me that one of the basic objections to the allocations contained in the House bill, is that so large a part of it, well, that all of it goes to foreign countries and that so large a part of it goes to foreign countries not even in this hemisphere and I would be glad if you would put that into the record.

Mr. MURPHY. We will be glad to supply it.

Senator KERR. Thank you very much, Mr. Chairman.

(The document referred to follows:)

Sugar quotas and allocations of the quota for Cuba provided by H.R. 12154 for foreign countries located outside the Western Hemisphere, at total sugar requirements level of 9,700,000 tons

[Short tons, raw value]

Country	Quota	Reallocation of Cuban quota	Total
Republic of the Philippines.....	1,050,000	150,000	1,200,000
Australia.....	50,000	150,000	200,000
Republic of China.....	45,000	150,000	195,000
India.....	30,000	100,000	130,000
South Africa.....	20,000	100,000	120,000
Fiji Islands.....	10,000	-----	10,000
Netherlands.....	10,000	-----	10,000
Mauritius.....	10,000	100,000	112,000
United Kingdom.....	516	-----	516
Belgium.....	182	-----	182
Hong Kong.....	3	-----	3
Total.....	1,225,701	750,000	1,975,701

The CHAIRMAN. Mr. Secretary, at that point I think it would be well to put in what those nations have received as a quota in the past years—last year and the year before.

Mr. MURPHY. I would be very happy to supply that.

The CHAIRMAN. You can take this staff data sheet and show what each nation got, including the different categories here of beet sugar and cane sugar.

Mr. MURPHY. We will be very happy to do that.

(The document referred to follows:)

Comparison between final foreign country sugar quotas and reallocations for 1961 and those proposed in H.R. 12154

[In short tons, raw value]

Country	1961			Proposed in H.R. 12154 ¹		
	Quota	Reallo- cation from Cuban quota	Total	Quota	Reallo- cation from Cuban quota	Total
Cuba.....	\$3, 297, 195			1, 500, 000		
Republic of the Philippines...	980, 000	490, 731	1, 470, 731	1, 050, 000	150, 000	1, 200, 000
Peru.....	121, 507	514, 870	636, 377	200, 000	150, 000	350, 000
Dominican Republic.....	111, 157	222, 723	333, 880	200, 000	150, 000	350, 000
Mexico.....	95, 409	589, 591	685, 000	200, 000	150, 000	350, 000
Nicaragua.....	17, 471	25, 897	43, 368	30, 000		30, 000
Haiti.....	8, 268	37, 005	45, 273	25, 000		25, 000
Netherlands.....	4, 149	5, 851	10, 000	10, 000		10, 000
Republic of China.....	3, 980	166, 048	170, 028	45, 000	150, 000	195, 000
Panama.....	3, 980	6, 020	10, 000	15, 000		15, 000
Costa Rica.....	3, 968	26, 282	30, 250	30, 000		30, 000
Canada.....	631	1, 266	1, 897			
United Kingdom.....	516	1, 034	1, 550			
Belgium.....	182	1, 453	1, 635			
Hong Kong.....	3	27	30			
British West Indies.....	84	265, 923	266, 007	100, 000	150, 000	250, 000
El Salvador.....		12, 000	12, 000	10, 000		10, 000
Guatemala.....		17, 000	17, 000	20, 000		20, 000
Brazil.....		306, 474	306, 474	190, 000	150, 000	340, 000
Ecuador.....		36, 000	36, 000	30, 000		30, 000
Colombia.....		46, 000	46, 000	35, 000		35, 000
French West Indies.....		75, 000	75, 000	40, 000		40, 000
Australia.....		90, 000	90, 000	50, 000	150, 000	200, 000
Paraguay.....		5, 000	5, 000	10, 000		10, 000
India.....		175, 000	175, 000	30, 000	100, 000	130, 000
South Africa.....				20, 000	100, 000	120, 000
Mauritius.....				10, 000	100, 000	110, 000
Argentina.....				20, 000		20, 000
British Honduras.....				10, 000		10, 000
Fiji Islands.....				10, 000		10, 000
Total.....	1, 351, 305	3, 117, 195	4, 468, 500	2, 390, 000	1, 500, 000	3, 890, 000

¹ At total sugar requirements level of 9,700,000 short tons, raw value.

² Quantity provided for by formula quota of zero determined by President, as provided by statute.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Mr. Murphy, I will be very brief. I want to get clear, and I am referring to this chart which has the analysis of the bill.

Now, the bottom of the chart carries the allocation of the 1½ million tons on a temporary basis for the previous Cuban allotment. It is my understanding that the Department and the administration are strongly opposed to that allocation.

Mr. MURPHY. That is correct.

Senator WILLIAMS. Now, in connection with the second division, the foreign basic quota share, which we read off before, where there has been a substantial increase in many of these countries, do I understand that you are also opposed to the increased allotments on the basic quotas of those countries?

Mr. MURPHY. That is correct. That is true.

Senator WILLIAMS. You do approve, or let me ask, do you approve of the extension of the existing allotments of those countries?

Mr. MURPHY. The existing basic quotas extension we do approve, subject to the recommendation that to the extent countries other than the Philippines enjoy a quota premium this be phased out over a period of 5 years.

Senator WILLIAMS. But you object to the increase in the basic quotas as allocated in the House bill?

Mr. MURPHY. That is correct.

Senator WILLIAMS. I might say that I am inclined to be in agreement with your position on that. We in Delaware have no quotas nor are we expecting any quotas, either under the cane or the sugarbeets.

We are not producers. But I want to ask you this question: just what is the objection of the Department to a greater allocation of some of this basic quota to the domestic producers?

Mr. MURPHY. Well—

Senator WILLIAMS. In order that they could build some of these mills which you are speaking of, because I agree with the position that some of these members have taken, that mere allocation of an additional allotment will not mean anything unless it is put on the permanent basis where they can afford to build a mill. I think that should be recognized, and I think it is recognized by the Department.

My question is: What would be the objection, if there is an objection, to the allocation of some of this basic quota, specifically to some of the domestic producers on a permanent basis?

Mr. MURPHY. The recommendation, Senator, here, would make a substantial increase in the share of the market which is allocated to domestic producers. Within that substantial increase provision is made for the establishment of one new mill a year, and the new growers who would supply that mill, a figure of 50,000 tons.

If we go beyond that that raises the question of the total share of the American market to be supplied by domestic producers, and the total share to be supplied by imports. This is a very difficult question. Among other things, it involves the amount of sugar that is refined. Normally, imports come in in the form of raw sugar which is refined in this country, so there is a refining industry, which is built up or geared up to handle a certain quantity of imported raw sugar, and the recommendation in this bill, as I understand it, just about holds that amount in equilibrium.

There is also the interest in foreign trade.

Foreign trade, of course, is a two-way street. We have some selfish interest, I think, as well as obligation to adopt a reasonably liberal attitude with respect to foreign trade.

In this case, we recommend that this be done by, in effect, making available 40 percent of our sugar market for imports. But with the

exceptions I have noted on a world price basis, not on a premium price basis. This would be my answer, Senator.

Senator WILLIAMS. Well, could you condense that down as to just why do you object to greater allocation of this to domestic producers?

Mr. MURPHY. I wouldn't say that we object to it, Senator.

Senator WILLIAMS. Would it cost us more money?

Mr. MURPHY. I would say this is a matter of judgment, and our best judgment is this is the right position.

Senator WILLIAMS. What is the normal increase in the consumption of sugar annually?

Mr. MURPHY. About 150,000; 160,000 tons a year.

Senator WILLIAMS. And you are allocating 50,000 of that additional tonnage, acreage, to the domestic producers?

Mr. MURPHY. To new domestic producers. We are allocating 63 percent of it to domestic producers.

Senator WILLIAMS. And part of that goes to the old producers?

Mr. MURPHY. Part of that goes to old producers. This 63 percent amounts to about 100,000 tons. It is divided between cane and beets, roughly 25 percent to cane and 75 percent to beets. This means that beets get 75,000 tons, approximately, and out of these 75,000 tons, 50,000 tons are set aside for new producers.

Senator WILLIAMS. Well, I won't pursue that further. I will let the other States get it.

There is one other section in this bill which proposes we pay, as I understand it, the Dominican Republic on a retroactive basis \$22 million. Who would get the money, and what is the basis for any such payment?

Mr. MURPHY. Well, the basis—I referred to that briefly in my prepared statement. The basis, as I understand it, is that a fee was collected with respect to some of the imports from the Dominican Republic in 1960 and 1961; that this fee was paid by the companies which imported the sugar; that they have now brought a suit in the Court of Claims to attempt to recover this money.

The House bill provides that the money should be paid out without waiting for the suit to take its course.

It is our view that this provision should not be in the bill, and that this matter should be left for the determination in the Court of Claims.

Senator WILLIAMS. Do you have a list of the companies to whom that \$22 million would be distributed?

Mr. MURPHY. I do not, sir.

Senator WILLIAMS. Is it available?

Mr. MURPHY. I expect it is, and we will be glad to undertake to get it.

Senator WILLIAMS. Would you file it for the record at this point, furnish it, and if there is objection to furnishing such information on the basis of it being in court, I won't press it.

Mr. MURPHY. I think we will be able to furnish it, and we certainly will be glad to undertake to do it.

Senator WILLIAMS. Thank you. I have no further questions.

(The information referred to follows:)

COMPANIES IN THE DOMINICAN REPUBLIC THAT WOULD RECEIVE BENEFITS UNDER
SECTION 18 OF H.R. 12154

South Puerto Rico Sugar Co.
Dominican Sugar Corp.

Porcella, Vicini Co.

Senator WILLIAMS. Excuse me, Mr. Chairman, I have just one further question. I was not clear what the Senator from Tennessee said.

Senator KERR. Speak louder.

Senator WILLIAMS. I say I missed the full question of the Senator from Tennessee, and this may be the same question.

I agree with you as to some of your objections to this House bill, and I am going to support an effort to correct it.

In the event we cannot correct this or we cannot get agreement from the House on a proposal other than the measure as passed by the House, would you rather have the House bill or no bill at all?

Mr. MURPHY. My answer to Senator Gore was that that was a very difficult question, and I hoped we would never have to face up to it.

Senator WILLIAMS. I hope you do not either, and I am going to try to do what I can to see that you do not have to face up to it. But as one of the potential members of the conference committee, we may be confronted with it, and the fact that it is a difficult question does not mean that we can dodge it, so I ask it again, and I would like for you to think it over, either answer it now or answer it before these hearings are over, whether you would rather have no bill and take a chance on coming back and doing it over again or take the House bill.

We may be confronted with that question, and I think that the Department should take some of the responsibility in answering it. I say that as one who is going to help you do what I can to prevent either of us being confronted with this question. But we have it.

Mr. MURPHY. I think that is a fair question, Senator. I would like to have some time to think it over before giving you any answer.

Senator WILLIAMS. All right. I appreciate your giving us any answer before we reach that stage. Thank you.

The CHAIRMAN. Mr. Secretary, I want to ask in regard to Senate bill 3290 introduced by 36 Members of the Senate, does your opening statement specifically mention the parts of that bill that you agree to or approve? I see you mention it in certain places, but in other places you more or less confuse it a little in my mind with the House bill.

Mr. MURPHY. It is my understanding that we support Senate bill 3290.

Senator KERR. Just a minute, say that again.

Mr. MURPHY. It is my understanding that the administration supports the Senate bill 3290 as it was introduced, the entire bill.

The CHAIRMAN. You approve of the Senate bill as it was introduced?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. And you have no suggestions to make with respect to any amendments to the Senate bill?

Mr. MURPHY. We do not, except the problem that was worrying Senator Kerr and Senator Anderson. If an amendment is necessary for that purpose, we would like to see that amendment made.

(The amendment was subsequently submitted and appears on p. 26.)
Senator KERR. And counsel said he would prepare it and submit it to the Senator from Nebraska and others and the Senator from New Mexico.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Mr. Secretary, I shall not dwell on the increase of the domestic acreage allotments for sugarbeets. But am I correct in the statement, as I understand it, that there are 11 areas in the United States that might be available for a sugar mill or sugar refinery?

Mr. MURPHY. I would like to ask Mr. Myers to respond to that, Senator, if he is in a position to do so. I do not know.

Mr. MYERS. I have not tried to count them up, Senator Carlson, but I would expect so, yes. I would assume so.

Senator CARLSON. That being the case, if we pass legislation allocating additional domestic acreage for one mill a year, it could be 11 years before any one of these areas or all of them received mills.

Mr. MYERS. Senator, I would hope that a careful and objective study of the production problems and costs would eliminate some of those hopeful areas.

It costs around \$15 to \$18 million to build a modern beet factory of 50,000 tons capacity.

They cannot put up that sort of an enterprise in an unproved area. Some of these areas have not yet been proved and, therefore, it would take a considerable time between the hope and the demonstrated ability, and I might say on that point that where we have had factories go in in recent years since World War II successfully, they have been planned and tried out several years in advance.

The two factories in the Red River Valley, the new factory out in California, the one in the Columbia Basin, those have all been worked on and studied for years before they go into production and, therefore, I would assume that these areas would come in more slowly than their present sponsors anticipate. Otherwise, we would have some catastrophes.

Senator CARLSON. Did I understand from the response to that question that the Secretary then would give some consideration to areas which have already proven productive capacity and ability to produce sugarbeets economically and are doing it now, in considering the addition of additional acreage for a new mill in that section? I am not speaking specifically of Kansas. We are producing, we are refining outside of the State at present.

I am told that these modern mills can operate quite efficiently if we build a new one now.

Mr. MYERS. Senator, we have talked about this problem in only a perfunctory sort of way, but we assume that we would have hearings, review the problems of the various areas, and finally have some assurances, some binding assurances, that the investments were ready to be made before we would select a particular area as against other areas.

Senator CARLSON. I appreciate very much that response.

I want to go to another phase which has not been discussed this morning.

Mr. Secretary, is there anything in this bill, anything in the language in the House bill, that would require some of these countries

that we give nonquota or quota, additional sugar quotas, to give anything in return? In other words, do we have any language that would say that we are going to give special consideration to a country that purchases some of our agricultural products, for instance?

Mr. MURPHY. I understand there is no such provision in the House bill. There are some provisions in the House bill that are designed to give some protection against discrimination against one kind or another of American interests, but nothing of the kind you have spoken of.

Senator CARLSON. As this testimony was taken here this morning, I have read that section. What would you have in mind that would be a discrimination against our citizens or our country that would cancel out a sugar quota, outside of expropriation of property, which is another subject?

Mr. MURPHY. This provision was inserted in the bill in the House, Senator, and I am not sufficiently familiar with it to respond in any meaningful way to that question.

Senator CARLSON. But there is no language in this bill that specifically requires that these countries that we deal with on quota allocations, either quota or nonquota, give anything in return. We just give them a quota, is that correct?

Mr. MURPHY. That is correct.

Senator CARLSON. Doesn't it occur to the Secretary that we are missing a golden opportunity here to get something in return for what I think is a very valuable concession to these countries?

Mr. MURPHY. It is our view, Senator, that instead of having this quota system that imported sugar should be brought in without the premium price, and this, I think, would eliminate the kind of a question that you raise.

Senator TALMADGE. Mr. Chairman, would the Senator yield at that point? I would like to pursue some questioning along parallel lines.

We have enormous quantities of surplus wheat, feed grains. Most of the areas that produce sugar have shortages of wheat and feed grains.

What efforts have been made, if any, to trade some of our surplus wheat and feed grains for sugar?

Mr. MURPHY. I think this question arises only in connection with these quotas in their allocation and reallocation.

We made an effort last fall, as I recall, possibly earlier this year, to tie together the purchase of American agricultural commodities, on the one hand, and the allocation of the right to bring in sugar, on the other hand.

We found it to be a very difficult problem and it had some harmful and unfortunate results. This possibly was because of the way it was done, but certainly in this case it did.

For example, we asked other countries or gave an opportunity to other countries to make proposals as to the quantity of agricultural commodities that they would purchase in relation to the sugar quota that might be allocated.

There was a report that went abroad, a rumor, circulated all around the world that under this proposal American cotton would be available or might be available in the European markets at several cents a pound less than the normal price.

The result of this apparently was that many potential purchasers of American cotton in the European markets held back to see what would happen. And so, for a period of several weeks, sales of American cotton to Europe were almost dried up.

Now, this is one of the difficulties that you might get into. If this were simply a bilateral exchange, if the agricultural commodity stayed in the country from which the sugar came, this would avoid a good many of the difficulties.

Senator TALMADGE. In looking over this list of quota allocations in the House bill, virtually every one of those countries are on our foreign-aid program. We are giving them farm surpluses, and yet paying them a premium for sugar.

It seems to me that we could work out some bilateral exchange program there to trade our surpluses for theirs. We have something they need, want. They have something we need and want, and it looks like a reasonable exchange could be made under those conditions.

Mr. MURPHY. I think, Senator, there is a strong argument for that particularly as limited to bilateral exchanges with so-called soft currency countries or countries where we give foreign aid.

We think that the preferable system would be to do away with or not enlarge the quotas, that is to say, we propose maintaining the present permanent quotas which are relatively small in size, a total of a little more than 300,000 tons, as I recall, excluding the Philippines and Cuba, and that the premium price on those quotas be phased out. This means the bulk of our imported sugar would come in at world prices.

There would be no special incentive then to enter into barter-type transactions. We believe that is the best way to handle it. But if there are to be quotas, there are strong arguments for the kind of exchanges that you mention.

Senator TALMADGE. To pursue that one point further, if the Senator from Kansas will yield again, I had lobbyists representing one of these countries come by my office to see me last year, interested in getting a quota for sugar.

I pointed out to him we had large quantities of grain. They needed grain, wheat, and things of that nature, and I suggested he go and see his Ambassador and go over to the Agriculture Department and see if he could arrange a deal, trade some sugar for some wheat.

He grinned and said, "We just signed an agreement to buy some wheat from you."

I said, "You are not under any illusions that you are doing us a favor to take some of our wheat under Public Law 480 and then us lend the money back to you, are you?" And he grinned again and, of course, he knew, he seemed to realize, that the argument made sense. But as long as he could get wheat for free, and sell sugar for dollars, he was not interested in the exchange.

It seems to me that this offers a wonderful opportunity to reduce some of our surpluses and cut down some of our gold exchange that Senator Kerr was mentioning a moment ago, and if the Department has any suggestions in that regard I would appreciate it if you would send some language to the Senate, to the committee, for consideration.

I appreciate the Senator from Kansas yielding to me.

Senator CARLSON. Mr. Secretary, right on that point you mentioned proposals. I have before me a specific 5-year program, what the Senator from Georgia, Mr. Talmadge, was getting into, on wheat. I have before me a 5-year program submitted by Brazil, and it was approved, and it is concerning the purchase of additional wheat from the United States, that would increase the level of Brazil's wheat consumption 100 percent in the next year, provided she could sell sugar to the U.S. market, 750,000 tons of sugar annually over this 5-year period.

Now, this program for additional wheat consumption was worked out, first, through discussions between the Great Plains Wheat Marketing Development Association, the Brazilian Sugar & Alcohol Institute, and it was confirmed to the United States by diplomatic note from the Brazilian Embassy in Washington to our State Department on May 25, 1962.

Are you familiar with that?

Mr. MURPHY. I am not, Senator Carlson.

Senator CARLSON. It just occurs to me that we should not write this type of legislation without taking advantage of some of those conditions, because in your own statement this morning you state this:

The sugar quota system has become a foreign aid measure in which we determine the amount of aid we give to a foreign country by its ability to gain access to our sugar market rather than by its demonstrated need for foreign assistance.

May I inquire, Mr. Secretary, on the allocations of these quotas which, I understand, are made by the Secretary of Agriculture, are these quotas confirmed by the State Department before you issue them?

Mr. MURPHY. The allocations of the Cuban quota are concurred in by the State Department before they are issued.

Senator CARLSON. I am a member of the Senate Foreign Relations Committee and greatly concerned about our aid programs, and interested in them, and I want to be helpful. But I could never understand why we could not get some language that would take advantage of what I think is a valuable concession to these countries, at a time when we can help them and they can help us, and I do sincerely hope that you will follow the suggestion of the Senator from Georgia and try to come up with some language. If not, I am going to try to get some of my own. I am not just going to let this bill go through without making a fight for it.

Mr. MURPHY. Well, it has been a valuable concession, Senator, operating under the quota system, and if the quota system is continued, it will continue to be a valuable concession.

It still seems to use it would be even more preferable to do away with the quota system, with a specific exception that I have referred to, and permit the importation of most of our foreign sugar at world market prices.

Senator CARLSON. Of course, I would be most pleased to cooperate in any way that I can.

I notice in the House report on this subject, and I am reading from it now:

In making the temporary allocations after 1963 to other nations from the Cuban reserve quota, the Congress will review and take into consideration, among other factors, the purchases by various sugar-producing countries of agricultural com-

modities in the United States, and will give special consideration also to good-neighbor countries in the Western Hemisphere.

If I understand that, there are two subjects for consideration. One is the purchase of agricultural products, and the other is to cooperate with countries that are willing to cooperate with us or as this language says, "good-neighbor countries."

I have watched the allocations of these sugar quotas, as a member of the Senate Foreign Relations Committee, and I have complained in the committee of the allocation, and I will not mention countries, because we have been doing it quite generally.

When you give a country 100,000 tons of sugar, and they would be so happy to give something in return, it would be part of a bilateral trade program, and I could go into this in great detail, but I do not want to take any further time, but I am going into it further later because I have taken too much time now.

I want to put in the record, Mr. Chairman, a statement from the National Association of Wheat Growers, which has been given to the House committee, but I would like to have it in the record here; and also a statement of former Congressman Clifford Hope, who served for 30 years on the Committee on Agriculture in the House, and who dealt with this problem and who is thoroughly familiar with it.

The CHAIRMAN. Without objection the insertions will be made. (The documents referred to follow:)

POSITION PAPER ON WHEAT-SUGAR IN CONNECTION WITH THE HEARINGS OF THE HOUSE AGRICULTURE COMMITTEE TO CONSIDER AMENDMENTS AND EXTENSION OF THE SUGAR ACT OF 1948

The position of the National Association of Wheat Growers, and also the Great Plains Wheat, Inc., has already been placed before the committee through statements given on May 21, 1962. In substance, the position is: (1) There is no conflict between the desires of the domestic sugargrowers being allocated as much of the total domestic market as is practicable; and (2) that preference should be given in the allocation of sugar quotas to countries agreeing to purchase U.S. agricultural commodities.

The wheatgrowers of the United States give their unqualified support to the principles outlined above on the basis that it makes good wheat sense for three principal reasons: (1) Good business sense; (2) good political sense; and (3) good sugar sense.

1. *Good business sense.*—During the fiscal year July 1960 to June 1961, U.S. agricultural imports totaled \$3,642 million. Our total agricultural exports for the same fiscal period was \$4,943,700,000. However, of this amount \$1,541,400,000 represented exports under specified Government programs. This left \$3,402,300,000 as the net exports on a cash basis. Therefore, the United States had a dollar deficit of \$240 million on a dollar basis (\$3,642 million imports minus \$3,402 million cash dollar exports).

The import trade of \$3,642 million may be further analyzed under supplementary (competitive) and complimentary (noncompetitive) agricultural imports. We believe the interest of the United States to steer our trade toward those countries who are the principal source of complimentary agricultural commodities to the extent possible, and this is the reason we support the request of the U.S. producers for increase in their sugar quotas. On the other hand, in determining where the balance of the foreign requirements should go, consideration should be given to countries whose sales to us of supplementary products are low. On this basis, the sugar supplying countries of the Western Hemisphere—Brazil and Colombia—have a good position.

In terms of the value of agricultural exports by commodity over the past few years, the United States has had a program of Government-financed exports under various titles, with the result that for wheat alone, of the total exports of \$4,597 million, only \$1,092 million constituted cash dollar exports. In other words, three-fourths of the wheat exports were U.S. Government-financed for the period beginning July 1, 1954, through June 30, 1961.

We need to expand our U.S. dollar exports whenever possible. (In fact, the Public Law 480 programs were, in part, designed to assist in market development.) Thus, the recent Brazilian proposal to relate an average of about \$50 million a year of additional dollar wheat business to the granting to Brazil of a basic sugar quota to replace part of the Cuban deficit, is an example of good business. The Brazilian program envisaged actually would use an additional 8,330,000 metric tons of wheat over a 5-year period if the program can be supported by using the receipts from the sugar sales to the United States. This additional sale would be accomplished under a program which would permit Brazil to maintain her purchases, and in fact, would increase her purchases from traditional suppliers. In addition, this would permit Brazil to move toward free imports of wheat. New and additional dollar sales of wheat would be increased beginning in 1962 from 300,000 metric tons to 1,190,000 metric tons in 1965. This would represent new cash purchases beginning at \$21 million in 1962 and increasing to around \$84 million by 1966. This would be an important addition to total cash wheat sales to all countries of \$278 million recorded in the fiscal year ending 1961. In 1962, the first year of the program, the Brazilian proposal would represent a 10-percent increase in cash dollar sales of all wheat to all markets, and in 1966, the last year of the program, the total value of sales of \$84 million would represent a 30-percent increase in total U.S. cash sales to all markets. For the 5-year period the new cash sales to Brazil represents an average increase of about \$50 million annually, or 20 percent over the 1961 dollar sales.

The Brazilian proposal alone is of great national significance since it would mean selling, for cash, wheat equal to that produced on an average of more than 3 million acres a year for 5 years.

This same type of program, however, can and should be worked out whenever possible with other countries, and for other U.S. farm commodities, such as feed grains, poultry, animal products, and dairy products.

All this, it seems clear, makes good business sense because: (1) Maximum utilization of the productive capacity from wheat acreage would be realized thereby minimizing Government costs associated with handling commodities in surplus; (2) additional permanent dollar markets would be created for exports of crops in Latin America as a means of offsetting the anticipated decline of U.S. agricultural exports to the European Common Market and the loss of exports to Cuba; (3) the Nation's balance-of-payments position would be improved.

2. *Good political sense.*—The wheatgrowers and the growers of sugarbeets and sugarcane in the United States are looking for expanding markets for their products.

These growers have a common interest. Many States, in fact, are important producers of sugar and wheat, as for example North Dakota, Nebraska, Montana, Idaho, Colorado, Washington, Minnesota, Michigan, and Oregon.

In two other States—Texas and Oklahoma—wheat is an important crop and many of the farmers want to increase their production of sugarbeets.

There is no reason, in short, for political conflict over these two crops.

This point is demonstrated in a table which compares sugarbeet acreage with wheat acreage in States producing significant quantities of both crops.

The importance to these same States of an expanded export market for wheat is illustrated in the attached table using the only formal proposal from a sugar exporting country as an example. This table prorates the acreage that would be required to supply the wheat called for in this proposal.

In this table, for the purpose of illustrating the point, that required acreage was assumed to average 3 million acres annually.

Actually, the Brazilian proposal calls for a gradual increase in total wheat consumption of 10 percent each year over a 5-year period, beginning this year.

In order to meet this increased consumption, the Brazilian proposal allows for projected increases in local production, and some expansion of purchases from Argentina. The largest portion of the expanded wheat purchases would come from the United States.

A second table gives the estimated tonnage of wheat that would be required from the United States and illustrates the equivalent acreage needed to yield that tonnage.

Comparison of wheat and sugar acreage harvested in 1961

	Acreage harvested			Brazil, wheat-sugar utilized proceeds from 3,000,000 acres annually
	Sugarbeets	All wheat	Percent	
Total.....	1,087,800	51,620,000	100	3,000,000
Ohio.....	21,600	1,457,000	2.8	84,000
Michigan.....	72,200	1,111,000	2.2	66,000
Wisconsin.....	6,500	58,000	.1	3,000
Minnesota.....	97,100	1,022,000	2.0	60,000
North Dakota.....	46,900	5,756,000	11.2	336,000
South Dakota.....	9,200	2,260,000	4.4	132,000
Nebraska.....	77,800	3,220,000	6.2	186,000
Kansas.....	10,300	10,329,000	20.0	600,000
Montana.....	65,500	3,679,000	7.1	213,000
Idaho.....	119,000	1,083,000	2.1	63,000
Wyoming.....	52,100	229,000	.4	12,000
Colorado.....	167,100	2,459,000	4.8	144,000
Utah.....	23,600	215,000	.4	12,000
Washington.....	54,600	1,974,000	3.8	114,000
Oregon.....	20,700	786,000	1.5	45,000
California.....	238,000	337,000	.7	21,000
Texas.....	(1)	3,690,000	7.1	218,000
Oklahoma.....	(1)	4,618,000	8.9	267,000
Other.....	5,600	7,327,000	14.3	429,000

¹ Included with other.

Source: Crop Production—1961 Annual Summary, U.S. Department of Agriculture, Dec. 15, 1961, Cr. Pr. 2-1 (61).

Table C below illustrates how the suggested program may be implemented:

TABLE C
[Thousand metric tons]

Calendar year	Total required from United States under assumed targets (table B)	Proposed from title I and title IV	Wheat for cash	
			By formula	Usual purchases
1962.....	1,700	1,100	300	300
1963.....	2,150	1,500	500	150
1964.....	2,550	1,500	900	150
1965.....	2,440	1,300	990	150
1966.....	2,540	1,200	1,190	150
Total.....	11,380	6,600	3,880	900
5-year average.....	2,276	1,320	776	180

CALCULATED ACREAGE UTILIZED TO PRODUCE ABOVE TONNAGE¹

[Thousands of acres utilized]

1962.....	2,618	1,694	462	462
1963.....	3,311	2,310	770	231
1964.....	3,927	2,310	1,386	231
1965.....	3,758	2,002	1,525	231
1966.....	3,912	1,848	1,833	231
Total.....	17,525	10,164	5,975	1,386
5-year average.....	3,505	2,033	1,195	277

¹ 1 metric ton = 2,204.6 + 60 pounds (1 bushel wheat) = 36.7 bushels per metric ton. 36.7 bushels per metric ton divided by 23.9 bushels per acre (U.S. national average, 1961) gives 1.54 acres to produce 1 metric ton of wheat. Factor of 1.54 acres used to convert table C from wheat tonnage to equivalent yearly acreage utilization shown above.

Source: Wheat-sugar memorandum for Brazil submitted for the record by Clifford R. Hope, Great Plains Wheat, Inc., at the May 21, 1962, hearings on H.R. 11730

For example, the requirements from the United States in 1962, begin at 1,700,000 metric tons of wheat and increases to 2,540,000 metric tons in 1966.

The acreage equivalent—in terms of the illustration used—would be 2,618,000 acres in 1962 and increases to 3,912,000 acres in 1966.

3. *Good sugar sense.*—Sugar production is naturally adapted to the tropical countries in the Western Hemisphere, and the widespread production of sugar in this general area gives assurance that the U.S. sugar supplies needed to fulfill the foreign sugar requirements as determined by Congress to be their share of the U.S. market under provision of the Sugar Act.

At least three countries now under the Sugar Act—Mexico, Dominican Republic, and Peru—each have sugar available for export exceeding 500,000 tons or more, and the fourth country—Brazil—has an export history for the past 3 years of over 800,000 tons, and this under conditions of crop restrictions.

Many smaller Latin American countries in the Western Hemisphere have sugar for export in smaller amounts.

This is a natural trade area for the United States. Consequently, to the extent possible, these countries' request for basic sugar quotas under the act should be given greater importance to the extent that they offer a program which involves the reciprocity of trade and thereby contributes to one of the objectives of the Sugar Act to promote the export trade of the United States.

The United States has demonstrated that it leads the world in the production of many farm commodities. On the other hand, it has been generally observed that most of the underdeveloped countries of Latin America are deficient in consumption of better quality cereal foods. Also, to the extent economy will permit, they could increase their consumption of high protein foods.

The United States, on the other hand, has in the recent period experienced an unfavorable balance of payments and a drain on the gold reserve. This situation could be greatly eased if exports from the United States for cash dollars could be increased.

To the extent that we can expand our markets for all farm products, and particularly those in surplus, we would be, in fact, associating good business sense with good sugar sense.

STATEMENT OF FORMER CONGRESSMAN CLIFFORD HOPE BEFORE THE HOUSE
AGRICULTURE COMMITTEE

It seems like old times to me to be sitting in this room in connection with the consideration of sugar legislation. I was a member of this committee at the time of the formulation and passage of the original Jones-Costigan Act in 1934 and participated in the consideration of a number of extensions of the law prior to my retirement from Congress on January 3, 1957. At this time it is a pleasure to be here in a different capacity as a witness before the distinguished members of this committee, many of whom were my colleagues and close friends for many years. I see many here, also, who have become members of the committee since my departure, most of whom I have had the pleasure and honor of meeting and knowing.

This committee, certainly one of the most important in the Congress, has dealt with tremendous problems during the last 30 years. Few of them have presented more inherent difficulties than sugar legislation, and yet I think I am justified in saying that there has probably been no commodity legislation considered by this committee over the years which has been more successful in accomplishing the purpose for which it was written. This is quite remarkable when it is considered that there are vast competitive and conflicting factors involved both from the standpoint of the world and our own country. Certainly the record of sugar legislation and its operation through changing conditions for 28 years is a shining example of what can be done through industry cooperation in the enactment of wise legislation.

My presentation to you today will cover a very limited area as far as the general problems of sugar are concerned, but I think it is an important area and one which is of interest to this committee, not only from the standpoint of sugar but from that of finding markets for agricultural commodities now in surplus.

The taking over of Cuba by the Communists has had many far-reaching effects. Not the least of these has been the loss of one of the largest single markets for American agricultural commodities, including some which are now in serious surplus situations. Thus, it would seem both logical and expedient that in looking for new foreign sources for sugar, consideration should be given to those

producing countries which can use and are willing to buy some of our agricultural overabundance.

It is with this thought in mind that Great Plains Wheat has for the past 2 years been working on the idea of devising a procedure, legislative or otherwise which would enable a sugar-producing nation to receive an allocation of sugar with the understanding that the dollar credits so generated would be used for the purchase of surplus agricultural commodities in this country.

Thanks to this committee, under the leadership of its distinguished chairman and other members, and to the Finance Committee in the Senate, the extension of the Sugar Act on March 31, 1961, contained a provision stating that in making allocations under the act, " * * * special consideration be given to countries in the Western Hemisphere and those countries purchasing U.S. agricultural commodities." But the committee did not stop there. On more than one occasion, it expressed itself vigorously on the subject. In particular, it adopted a committee resolution on September 7, 1961, which reads as follows:

"That the President be requested to instruct those in charge of administering the program that it is the clear intent of Congress that in making any such purchases of sugar for the calendar year 1962, clear preference is to be given those countries which offer to buy a reasonable quantity of U.S. agricultural commodities in return for the purchase of their sugar."

On February 12, 1962, a press release from the Department of Agriculture announced that "subject to market conditions and other factors, some importations of sugar would be authorized from countries agreeing to purchase additional commodities" and that "such authorizations will be in addition to any other quota a country may have under the U.S. Sugar Act, and are authorized by the provisions of the Sugar Act of 1948, as amended on March 30, 1961, Public Law 87-15."

Since then, pursuant to the legislation and in accord with the tenor and intent of the committee resolution of September 7, 1961, allocations of sugar quotas for 1962 have been made to a number of countries on the basis of agreements by such countries to purchase U.S. agricultural commodities. These allocations are not large, but I mention them particularly to indicate that this is a practical method for handling matters, and that it has been so accepted by the executive agencies of the Government.

The countries involved, the amount of sugar allocated, and the agricultural commodities agreed to be purchased are as follows: Brazil, 50,000 short tons of sugar and an agreement to purchase wheat; India, 50,000 short tons and an agreement to purchase cotton; Republic of China (Formosa), 29,000 short tons, cotton and tobacco; Fiji Islands, 5,000 short tons, rice and flour; Ireland, 5,000 short tons, corn and grain sorghum; El Salvador, 5,000 short tons, wheat and yellow corn; Colombia, 5,000 short tons and wheat; Guatemala, 5,000 short tons, item to be purchased—yellow corn. The total allocations amount to 154,000 short tons.

It seems to me that deals like this make sense. They not only tend to compensate for our lost agricultural outlets in Cuba, but if used extensively, open up important new dollar markets for agricultural commodities in many parts of the world. They contribute also to the stability of the developing countries by giving them assurances of more stable food supplies for their increasing population and an outlet for one of their principal surplus commodities. It also constitutes a foundation for future commerce in the normal channels of trade and shifts a part of our aid program to a trade program.

I am disappointed that the pending bill, H.R. 11730, does not contain language making possible sugar-agricultural commodity transactions as provided by the 1961 extension to which I have made reference, and on behalf of Great Plains Wheat desire to recommend that a similar or an even stronger provision be included in this measure.

In addition, the organization which I represent believes that even more can be accomplished in trade promotion and development if provisions are included in the bill which would provide allocations of sugar for the full period covered by the bill to countries which would agree to purchase U.S. agricultural commodities. This, of course, would require amendment of the pending bill to provide for specific allotments to sugar-producing countries for the full 5-year period rather than the global allotment as provided in the bill.

As an illustration of the possibilities both for the United States and foreign sugar-producing countries, I would like to bring to your attention the situation in Brazil. During the past 2 years, Great Plains Wheat has conducted extensive market development studies and activities in that country. Early in the course of this activity, it appeared that sugar-wheat transactions offered possibilities for both countries.

Brazil is one of the world's largest sugar producers and in a position to expand its output if market outlets can be secured. It is also one of the world's greatest potential markets for wheat. As is well known, the population of Brazil is approximately half of that of South America and is increasing at an extremely rapid rate. As to the consumption of wheat, Brazil has a very low per capita consumption, approximately 32 kilos in 1960, the latest year for which I have figures. This compares with 74 kilos in the United States and much higher figures in such countries as Argentina and Chile where supplies are ample. In some areas, particularly the poverty-stricken northeastern part of the country, the consumption is about 10 kilos per capita. As a matter of fact, Brazil's per capita consumption in 1960 was less than in 1953 and declined steadily from 1955 to 1960. The same thing is true of total consumption.

In the main, this has been due to a smaller supply of wheat. Domestic production, never a too important factor, has declined. Over the years, Argentina has been the principal supplier but has fallen down on its commitments during the past 2 years and has now suspended exports for this year. Our country has filled the gap to some extent with Public Law 480 shipments which have increased markedly. Brazil also has a bilateral agreement with Russia calling for imports at the rate of 200,000 metric tons through 1964, but this is a very small part of even the present low consumption.

The national target for the past few years has been a supply of 2,400,000 metric tons, but this has not been met in recent years. This, of course, is low as indicated by per capita consumption. Careful studies indicate that under conditions of free purchases, Brazil would consume 3 million metric tons in 1962-63 with annual increases leading up to a figure of 4 million metric tons by 1970.

While Public Law 480 assistance helps, it is not the whole answer because Brazil, like other countries, does not know when such supplies may be discontinued or curtailed. It cannot afford to expand imports even under 480 unless there is a cushion somewhere to fall back on. The answer lies in more trade, and with our need for sugar and Brazil's need for wheat, and with ample supplies of each in the respective producing countries, it is not surprising that wheat producers in this country and sugar producers in Brazil have been attempting to work out a practical solution of the matter.

Over the past several months, conferences have been held between representatives of the Brazilian Sugar and Alcohol Institute and representatives of Great Plains Wheat. Government officials in both countries have known of these conferences and have been kept informed of what was being discussed.

The principal spokesman for the Brazilian Sugar and Alcohol Institute has been Ambassador Edmund Barbosa da Silva, president of that organization. Lester L. Mort, until recently director of the Washington office of Great Plains Wheat, has represented our organization. Out of their conferences came an eight-page document which contains much pertinent information with respect to the wheat situation in Brazil. Page 8 contains a formula which in general terms outlines the conclusions and agreements reached between Ambassador da Silva and Mr. Mort. I would like to ask unanimous consent at this time to submit this document for the record as part of my statement. I believe this document is at your desks at the present time.

Senator CARLSON. That is all.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. Most of the questions have been asked earlier today. But I do want to say to you I think the question was raised by Senator Gore, and repeated by Senator Carlson, as to what you would do in case you just get the House bill, that that is important—I mean Senator Williams—but I think that the likelihood that that could happen might be reduced by the amount of consideration—I have seen that happen, I think the southerners call it protracted discussion—in the Senate.

Senator Douglas has announced he has some feelings on this matter. I assure you the junior Senator from New Mexico has, and I know a great many other Members of the Senate who do.

While I commend you strongly for sticking by this bill of which I am not a cosponsor, and I did not cosponsor it because I had the problem in my mind that Senator Kerr referred to, and only that, I think it is a good bill. If something other than this comes out, it might take quite a while for the conference report to be adopted. I, for one, am going to stick by the proposal Senator Douglas made a year or so ago, which I supported then and thought was right, and still think so.

You have a comment in here about good luck, that good luck had something to do with something:

Through good luck we have been able to obtain supplies for domestic consumers without disruption or serious price increases.

It wasn't completely luck, was it? There were existing stocks of sugar all over the world that you tapped, didn't you?

Mr. MYERS. Yes, sir.

Senator ANDERSON. I thought India came in and tried to sell you 500,000 tons, and they said they had a million tons available.

Mr. MYERS. Yes; Senator, they did. India was a great distance away. The great fortune we had was at that time Mexico had nearly three-quarters of a million tons of sugar she did not know what to do with in the summer of 1960 when we stopped buying sugar from Cuba, and delayed taking sugar from the Dominican Republic.

Senator ANDERSON. So Mexico supplied that sugar and then turned around and voted with the Cuban Government against us.

Mr. MYERS. That, Senator, I am only talking about the fact that they had the sugar.

Senator ANDERSON. I realize that. But that is what happened on a great many of these foreign quotas.

Senator Carlson was speaking about what they do. We helped Mexico out very substantially. It did not work out too well. That is why some of us asked the State Department to have very loose authority here to move around as it sees fit and not have it tied down to a specific 10,000 tons to this one and 10,000 tons to that one.

I am glad you stressed that sugar should be priced at a level consistent with the terms of section 201 of the Sugar Act, and that is to see that fair prices are obtained, not scarcity prices or extravagant prices. Isn't that the reason for section 201 that you are referring to?

Mr. MURPHY. Yes, sir.

Senator ANDERSON. I noted a great many things as you went through the statement, Mr. Secretary, and I would like to take the time to discuss them. But I would like other members of the committee to have a chance to discuss it, and I have been in the discussion pretty heavily thus far, and I will only say to you that I do subscribe strongly to the Senate bill which is before us and which is sponsored by so many Senators, and the amendment which Senator Kerr has suggested and which you have indicated might possibly be worked out.

I think that is the most encouraging suggestion that has been made for a long time.

Under those circumstances, I have not nearly as many questions as I would normally have. Our people out there feel that this ties into a great many things.

I do not subscribe to the theory that there are 11 areas that might build mills. I was awfully glad that Mr. Myers pointed out that

while there might be 11 areas that could grow some sugarbeets and might be regarded as areas, that it won't take that many mills, by a long shot, probably to take care of the present available demand.

I would think you could build two mills in 3 years or at the very most three mills in 5 or 7 years, and you would have made very, very excellent progress.

These things are had to do. You have to show a mill operator that he is going to get his \$15 million back, that he is going to have a market contiguous to him, that he can serve that market and I for one, would say I think there may be three or four areas in the country that may be good locations for mills.

There are many other areas that are promising. There are, perhaps, areas that can be readjusted as Mr. Myers suggested. So that the increased production may be possible as in the case of Senator Curtis and Senator Bennett without maybe the building of some new mills.

I was very glad Mr. Myers was restrained in his comment, and he did indicate that 11 might not be necessary.

Mr. Chairman, I think others have more reason to ask questions than I have, after the assurances I got.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, I have a brief statement I would like to offer for the record at this point. Most of my questions have been covered and I am pleased to note the specific expression of the support of the Senate bill of which I am a cosponsor.

I am going to be interested very much in the text, the language, of the proposed amendment that will be offered, because I recognize this new grower problem has been very serious.

As I understand it, the Senate bill supports and protects the basic quotas that have been available previously to a limited number of offshore countries.

Mr. MURPHY. It does, Senator, except that the premium would be phased out over a period of 5 years.

Senator BENNETT. Yes. But it does not immediately do away with those quotas.

Mr. MURPHY. It does not; it does not. And, of course, in the case of the Philippines there would be no phasing out.

Senator BENNETT. That is a treaty problem and is different from all the others.

Mr. MURPHY. That is correct.

Senator BENNETT. Mr. Chairman, I have no further questions at this time.

The CHAIRMAN. Without objection, the insertion will be made in the record.

(The statement of Senator Bennett follows:)

STATEMENT OF HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman and members of the committee, it is my understanding that the domestic features of this bill, H.R. 12154, in large part reflect a general agreement not only among the various diverse elements of the domestic sugar producing and refining industry, but also between the industry and the Government. I am well aware that considerable sacrifices were made by all elements of the industry, and particularly by the beet sugar industry, in order to reach this broad area of agreement. I wish to commend the industry for its strenuous efforts in making the necessary compromises and sacrifices to present a common

viewpoint. It greatly simplifies the work of this committee in dealing with the domestic phases of this bill.

After examining all the pertinent material, it is my conclusion that the chief virtue of the domestic provisions, particularly those applying to the beet sugar industry, is the stability which those provisions promise for the industry. It will be possible for the farmers of Utah, and the score of other producing States, to plan their plantings much more effectively and realistically with a long-term law and without the uncertainties that have marked the sugar program in the last few years.

On the foreign phases of the bill, however, I do wish to make some observations. First, I find it hard to believe that a very thorough study was made of the sugar industries and their capabilities in all the 29 countries that have been assigned quotas in the bill. I am indeed curious as to the basis for the decisions in the Agriculture Committee of the other body in determining that we should rely on the Fiji Islands, for example, for 10,000 tons of sugar a year, South Africa for 20,000 tons, or Mauritius, halfway around the world, for 10,000 tons. I am curious about what criteria were used.

I am also disturbed by section 18 of the bill. This is the section that would restore to the sugar interests of the Dominican Republic the import fees that were collected on Dominican nonquota sugar between September 26, 1960, and March 31, 1961. The sum of about \$22,800,000 is involved, and the matter is now in the courts. The sugar interests of the Dominican Republic are suing the United States, and the Justice Department is putting up a strong defense. I do not believe it is the province of the Congress to pass legislation which would take this matter out of the courts and, in effect, pronounce a verdict in favor of the sugar interests of the Dominican Republic without hearing any of the evidence. This smacks of a private special-interest bill being tacked on to a broad Sugar Act.

Also, I have a strong feeling that in its zeal to parcel out the American sugar market to foreign sugar interests all around the world the Agriculture Committee of the other body cut too deeply into the so-called Cuban retain—the portion of the former Cuban quota that should be held intact, uncommitted on a permanent basis, for the eventual restoration to a future Cuba when she returns to sanity.

I do not believe that any of the Cuban quota should now be given to Cuba. I recall how hard we in the Senate 2 years ago had to battle with the other body in order to give the President of the United States the authority he so desperately needed to prevent Castro from continuing to sell sugar in the United States. I still strongly believe we should not buy Cuban sugar, as long as a Communist government is in control there.

But I also strongly feel that we should keep a sufficiently large portion of the Cuban quota intact, so that when a friendly government returns we may without difficulty restore a substantial sugar quota to help her economy.

Under the present law, the Cuban quota at the present level of consumption would be about 3,200,000 tons. The administration has proposed keeping about 2,500,000 tons for eventual return to Cuba. This amount may not be necessary, but the 1,500,000 tons provided in the House bill is certainly too low. It would not be enough to give the Cuban economy an adequate recovery injection, and it is not enough to encourage those Cubans who would like to shake off Castro to do so.

A compromise between the House figure and the administration figure—say 2,000,000 tons—would be fitting, it seems to me, at the present time. Perhaps at some future time it could be cut lower—but let us not do it too soon. Let us show the Cuban people that we have not yet given up hope of their eventual return to the fold of civilized nations and that we are still willing to restore a large part of their former sugar market in the United States if they shake off the yoke of communism.

Mr. Chairman, in the last few years we have seen the sugar program become a football: we have seen it kicked all over the lot. The series of short-term extensions to which the act has been subjected have done the program no good. Although we are again up against an early deadline, right up against the expiration date of the act—thanks to the lateness of the hour at which the other body sees fit to send us the bill—I am hopeful that we can before the end of next week enact a long-range sugar bill.

Earlier I mentioned the stability which is one of the chief virtues of the Sugar Act—and of the domestic provisions of this bill. That stability—so im-

portant to the farmers of Utah and the other great sugar-producing regions of our Nation, as well as to consumers—can be achieved only through long-term legislation.

The CHAIRMAN. The committee will recess until 2:30. I assume, Mr. Secretary, you will be glad to return.

(Whereupon, at 12:30 p.m., the committee was in recess, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The Chair recognizes Senator Douglas.

Senator DOUGLAS. Mr. Murphy, in the colloquy which I had with you and your associates this morning it was developed that the world price of sugar was approximately 2.7 cents a pound.

That the duty was approximately one-half cent a pound, and freight charges in Atlantic and, I suppose, gulf ports as well, of approximately a half cent a pound so that the sugar bought on the world market at world prices would cost about 3.8 cents refined.

But that, as a matter of fact, the domestic price is 6.5 cents, and that, therefore, the American consumer is paying a subsidy of 2.8 cents a pound or \$56 a ton; that is correct, is it?

STATEMENT OF HON. CHARLES S. MURPHY, ACCOMPANIED BY JOHN C. BAGWELL AND LAWRENCE MYERS—Resumed

Mr. MURPHY. That is correct.

Senator DOUGLAS. Now, on the 3,890,000 tons imported, this amounts to a subsidy to foreign producers of \$218,400,000 approximately?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. If you deduct the Philippines provision which is governed under a treaty, and, therefore, not immediately subject to legislation, this comes to approximately \$161 million.

Mr. MURPHY. Right.

Senator DOUGLAS. That is a subsidy paid by domestic consumers, both industrial and household, to producers abroad?

Mr. MURPHY. That is about the figure I have in mind, Senator, I am not sure precisely.

Senator DOUGLAS. Of this something over \$140 million comes from the redistributed Cuban quota?

Mr. MURPHY. That is correct.

Senator DOUGLAS. And the other approximately 22 million come from the quotas previously given to countries all outside the United States other than Cuba, the Philippines, and so forth?

Mr. MURPHY. That is correct.

Senator DOUGLAS. And it is the proposal of the administration to buy immediately what was the Cuban quota at the world price and then collect a tariff equivalent to the difference of 2.8 cents a pound. This would net to the Treasury approximately \$140 million?

Mr. MURPHY. That is the approximate figure. I believe I used \$130 million this morning, but that is the range.

Senator DOUGLAS. And in the case of the other permanent quota countries you propose to take a quarter of their bonus each year?

Mr. MURPHY. Twenty percent, I think it is, for 5 years.

Senator DOUGLAS. So you absorb that in 5 years?

Mr. MURPHY. Yes.

Senator DOUGLAS. I congratulate the administration on this proposal.

I think at least it should be said for the record that the excess price paid to domestic growers above what the price would be if the entire purchases were made abroad at the present price per ton figures, comes to approximately \$330 million a year, and I may say it is not my intention to propose any reduction in this figure.

I well know what would happen if it were proposed. Every finger on my hand would be cut off, if not the hand itself. But I think it is worthwhile that the consumers know what they are paying, and the administration, as a matter of fact, increased the domestic quota by about 650,000 tons, isn't that true?

Mr. MURPHY. I think a little less than 650.

Senator DOUGLAS. A little less?

Mr. MURPHY. 635,000, I think it is.

Senator DOUGLAS. I see.

Then the bill would give to the domestic producers an additional subsidy of about \$38 million. In round numbers, \$37 million approximately.

Mr. MURPHY. It we use your definition of subsidy, yes, sir.

Senator DOUGLAS. Yes.

And you hoped that in this way that you might get them to support the bill as a whole and look kindly on the decrease in the payments paid to the foreign sugar producers, is that right?

Mr. MURPHY. We hope that they will support the bill, and that they will look kindly on that increase.

Senator DOUGLAS. We look forward to their testimony with interest.

Mr. MURPHY. We would support this provision on the domestic producers on the merits.

Senator DOUGLAS. I may say, I don't believe in threats, I believe in following the policy of the Sermon on the Mount. But I would say if they do attack this attempt to save \$150 million for the Treasury and the people, their own subsidy might come under attack.

Senator BENNETT. Can you quote the Sermon on the Mount which describes that kind of an operation?

Senator DOUGLAS. No; I say that, ordinarily, I try to be very lenient in these matters, and not to indulge in threats. But here is a proposal which gives them about \$38 million more in subsidies than they have at present, and yet I heard they were opposed to the administration's bill.

I was merely saying if they continue in this opposition I will be sorely tempted to attack the domestic subsidy. But if they do not attack this why I am willing to overlook it and concentrate my attention on the subsidy to the foreign producers.

Senator CURTIS. Would the distinguished Senator yield?

Senator DOUGLAS. Yes.

Senator CURTIS. Now, the distinguished Senator from Illinois is a noted economist.

Senator DOUGLAS. What is coming now? [Laughter.]

Senator CURTIS. And knows all the figures and theories of trade. You have cited a purported savings to the consumers by the purchase of sugar abroad.

Suppose all of the needs of our people are purchased abroad, if that were possible, and disregarding the effect upon our economy, how much would it lower the household expenses?

Senator DOUGLAS. The total subsidies to sugar producers—

Senator CURTIS. No, I am talking about all these—

Senator DOUGLAS. May I answer this in my own way on sugar which is the immediate subject?

The total subsidies paid to producers, foreign and domestic, come to something close to \$550 million a year. Now, if I were to take up the removal of the domestic subsidy, I would be prepared to argue this question with you. But since I hope that I will not be compelled to take it up, I don't think I want to argue it at this time and I would prefer to confine myself to the subsidy to the foreign producers.

Now, these subsidies have been going on for at least 2 years in the past since the Cuban quota was redistributed, isn't that correct?

Mr. MURPHY. That is correct. It has not always been in exactly the same amount.

Senator DOUGLAS. I understand.

It is at the rate of approximately \$150 million a year, and prior to that time this subsidy was paid to the Cuban sugar producers, isn't that true?

Mr. MURPHY. That is correct. But again, I think if you go back some years we find the subsidy was not so great.

Senator DOUGLAS. I think our diplomats in our dealings with Cuba and with the nations which tend to sympathize with Cuba should make clear to them that we paid the Cubans, paid them over a long period of years, close to \$150 million more than the world price.

It is true that somewhere between 35 and 40 percent of the Cuban sugar was milled in American mills there so that our companies got back a considerable proportion of this. But nevertheless, we were extremely generous to the Cuban people and I think we should use this as propaganda to offset Mr. Castro's denunciation of us as being harsh dealers.

Now, may I pass to this point.

In Peru, with a basic quota of 200,000 plus an allocation of 150,000, does not that come to purchases of 350,000 tons at an average subsidy of \$56 a ton, or a total subsidy of approximately \$19.6 million?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Do you know who are the big producers in Peru?

Mr. MURPHY. I do not, Senator, have any information on that, except that it was mentioned this morning by you, I believe.

Senator DOUGLAS. My information is that W.R. Grace & Co. owns 18 percent of the acreage, and crushes 21 percent of the sugar; that Nepena, which is U.S. controlled, has 5 percent of the acreage and crushes 5 percent of the sugar. And that this firm with the German name—

Mr. MURPHY. Guildemeister.

Senator DOUGLAS. Yes.

Do you know what percentage of the acreage they have, Mr. Myers?
 Mr. MYERS. No, sir, I do not. But my understanding is or my recollection is that it is somewhat higher than the Grace.

Senator DOUGLAS. Yes.

I would like to point out that on the basis of 20 percent the subsidy to Grace would be just short of \$5 million a year, and the subsidy, therefore; to Guildemeister would be more than \$4 million a year.

(At the direction of Senator Douglas, the following letter from W. R. Grace Co., which was received subsequent to this discussion, is inserted in the record:)

W. R. GRACE & Co.,
 New York, N. Y., June 21, 1962.

Hon. PAUL H. DOUGLAS,
 U.S. Senate,
 Washington, D.C.

DEAR SENATOR DOUGLAS: In the first place, let me thank you for your kindness in receiving me this afternoon and for your generosity in consenting to amplify the record of the hearings of the Finance Committee with respect to certain reflections on Peruvian sugar producers which occurred in colloquies during those hearings.

I refer to those portions of the examination of Messrs. Murphy and Myers of the Department of Agriculture wherein W. R. Grace & Co. was named as one of the "wealthy plantation owners" in Latin America in a context which could leave the impression that it was one of those which "do not invest their rents and profits to any appreciable degree in their own country but send them abroad for safekeeping." In the same reference it is possible that one could get the impression that Grace was a "big landowner" whose profits, when not "consumed in luxury" are "deposited abroad and not used for the development of their own countries, deposited notably in Switzerland; that is, they go into numbered accounts, hidden from public view."

W. R. Grace & Co., an American corporation with 35,000 stockholders in the United States, was founded in Peru 108 years ago, and has long been proud of its record of honorable treatment of its Peruvian hosts, its contribution to their economy and standard of living, and its creation of greater opportunities for Peruvian workers and managers. At the same time it has held modest pride in its representation abroad of the best traditions of the United States.

After talking with you today, I am edified by your own conscientious wish, which we share, that no room for doubt be left as to the role of such an American company in Peruvian economic life. Far from depositing our profits in Swiss numbered accounts (of which we have none) we have, throughout our more than a century as a business house in Peru, plowed back our earnings into the economic development of that country. For example, the two Grace sugar operations, in the last half decade, have reinvested in the Peruvian sugar business a sum in excess of their earnings for that period.

The total arable area of our two plantations, by the way, is 25,000 acres.

W. R. Grace & Co. as a whole invested in Peru during the same 5-year period over \$22 million. In fact, our confidence in all Latin America is such that in the same period we made investments in Latin America of \$59.8 million. Our projected investments for the next 5 years are \$41.5 million, or a total of Latin American investments in the decade 1957-66 of over \$100 million.

Our company has been a leader in wage increases, has created new high levels of social benefits, has built schools, churches, hospitals, social centers, youth centers, vocational training centers, has granted scholarships and furnished many other facilities for the enrichment of the lives of the Peruvian citizens who have associated themselves with us. We have followed the policy of taking local citizens into partnership in our enterprises, of training local citizens for the highest management positions, and of cultivating a respectful attitude for local customs and traditions.

I wish to add to this statement my conviction and that of my associates that the other major Peruvian sugar producers are doing any exemplary job in the same respects to which I have referred in commenting on W. R. Grace & Co. We know these men well, and we know their operations. A study of Peru makes it manifest that these men are reinvesting their profits in the development of local Peruvian enterprises. This can readily be seen not only from the modernization

of their efficient farms and mills, primarily done with machinery and equipment imported from the United States, but also from the remarkable economic development of Peru, which is being done with Peruvian capital that is quite obviously not lying idle in Swiss accounts. These patriotic men could well be an example to the landowning sector of many underdeveloped countries.

Some time ago, the National Planning Association commissioned Prof. Eugene W. Burgess of the University of California (Berkeley) and Prof. Frederick H. Harbison, professor of industrial relations at Princeton University, to write a report on the activities of W. R. Grace & Co. in Peru as a case study in "U.S. Business Performance Abroad." The authors summed up the performance of W. R. Grace & Co. in the following language (p. 95):

"Casa Grace has not taken Peru's resources for foreign use, but has offered Peruvian-made articles that supply jobs to the ever-growing industrial population, has increased productivity and decreased reliance on foreign imports, and, thereby, has directly contributed to a higher level of living."

Our company today is presided over by J. Peter Grace, the grandson of a young Irish immigrant who found a new home and great opportunity in Peru, and later became a U.S. citizen and mayor of New York. We have long been motivated by a sense of gratitude to Peru and its people. Under no circumstances would Mr. Grace or any of his management ever be a party to any activity or practice detrimental to the economy of the country or to the welfare and progress of its people. As U.S. citizens we are proud of our association with Peru, and we are grateful to you, Senator Douglas, for the friendly and open-minded hearing you gave us this afternoon.

With gratitude and great respect,
Sincerely yours,

(Signed) JOHN D. J. MOORE,
Vice President.

Senator DOUGLAS. Now, I notice that Haiti is included, with 25,000 basic tons, 85 percent of the milling capacity is in the hands of the Haitian American Sugar Co., and, therefore, presumably would receive a subsidy. Incidentally, the wages in Haiti, as a whole, average hourly earnings are the magnificent sum of 9 cents an hour, and the rate for cutters is 50 cents a ton on a piecework basis. The note paid by Hasco, however, I am told, is higher than that. It is about \$1.80 per day.

Now, in the Dominican Republic it is my understanding that the Trujillo family formerly had 55 percent of the acreage, and 60 percent of the milling capacity, is that approximately correct?

Mr. MYERS. Yes, sir; that sounds correct.

Senator DOUGLAS. So that the Dominican Republic is given a 300,000 for basic quota, and 150,000 extra for a total of 450,000. Thus, total subsidies would be just short of \$20 million of which about \$11 million would go to the mills formerly owned by the Trujillo family, now owned, I believe, by the government.

Mr. MYERS. I believe so.

Senator DOUGLAS. And that the \$22 million extra subsidy which the House slipped in yesterday would be distributed in approximately these proportions.

Mr. MYERS. Yes, sir, about 30 percent to South Puerto Rico, about 8 percent, I believe, to Vicini, a small private interest, and the rest to this government corporation.

Senator DOUGLAS. And this is in addition to the basic and supplemental quotas?

Mr. MYERS. That is correct.

Senator DOUGLAS. Let us take up the South Puerto Rico Sugar Co., which owns La Romana, is that true?

Mr. MYERS. That is right.

Senator DOUGLAS. My information is that La Romana produces approximately 20 percent of the Dominican crop, is that correct?

Mr. MYERS. About 30 percent, I believe.

Senator DOUGLAS. Thirty.

Well, the mills—my figures are that it produces 20 percent, that it crushes 32 percent.

Mr. MYERS. You are undoubtedly correct, and I stand corrected. I was thinking of its milling production.

Senator DOUGLAS. Yes.

Mr. MYERS. And I do not—

Senator DOUGLAS. I wanted to give it on both bases. If it is 20 percent, then La Romana will make approximately \$4 million plus \$4,400,000 on the \$22 million bonus, given yesterday.

On a 30 percent basis it would make approximately \$6 million and \$6.6 million, isn't that true?

Mr. MYERS. Thirty percent of that would be about \$6.6 million.

Senator DOUGLAS. That is right.

Mr. MYERS. To the refiners.

Senator DOUGLAS. Those are handsome bonuses, aren't they?

You can afford to hire some very efficient lawyers for that sum.

Now let us take Nicaragua. Am I correct that Nicaraguan Sugar Estates has about 24 percent of the acreage but grinds 61 percent of the sugar?

Mr. MYERS. Senator, I am sorry to be ignorant about the Nicaraguan industry. These figures have come to my attention a few minutes ago. They agree with what I have known generally about the countries. I could not speak authoritatively, however, on these individual company figures.

Senator DOUGLAS. If they are not correct, I would ask to have anyone who challenges these make the corrections for the record.

My information also is that Nicaraguan Sugar Estates grinds 61 percent of the cane.

Mr. MYERS. I believe that is correct; yes, sir.

Senator DOUGLAS. They were given 30,000 tons basic and this amounts to a subsidy of approximately \$1,680,000. So that the Nicaraguan Sugar Estates on the basis of landownership would get a quarter of this or \$250,000.

On the basis of grinding it would receive approximately a million dollars.

Now, I see the name of a very famous family here, the Somoza family, which is credited with having 14 percent of the landownership but grinds 27 percent of the sugar.

So these ratios would be about one-seventh and one-quarter. One-seventh of the land basis would be a subsidy of approximately \$240,000 a year. On the basis of milling capacity it would be about \$420,000 a year.

Does this agree with your knowledge?

Mr. MYERS. Yes.

Senator DOUGLAS. I believe a member of this family is President of Nicaragua.

Mr. MYERS. I believe that would be so.

Senator DOUGLAS. And another member of the family is Ambassador from Nicaragua to the United States.

Mr. MYERS. That I don't know.

Senator DOUGLAS. Well, we can inquire. Is there a representative of the State Department here?

Mr. MARTIN. Yes, sir.

Senator DOUGLAS. Is a member of the Somoza family Ambassador to the United States?

Mr. MARTIN. I believe his family is—a member of the family. I don't think that he is.

Senator DOUGLAS. His name is Sacasa Somoza?

Mr. MARTIN. Sevilla-Sacasa, that is right.

Senator DOUGLAS. So by marriage he is connected with the Somoza family.

Mr. MARTIN. His wife, I believe, is a sister of the present President of Nicaragua, whose name is Luis Somoza.

Senator DOUGLAS. What about Guatemala, which is assigned 20,000 tons or a subsidy of approximately \$1,120,000?

Do you know about concentration of ownership or milling capacity there?

Mr. MYERS. I do not, Senator, I regret to say.

Senator DOUGLAS. I hope this information can be collected.

In Ecuador my information is that there are only four mills, the largest mill has a grinding capacity of 53.5 percent of the national capacity. Ecuador has been assigned 30,000 tons, or which will be a subsidy of \$1,680,000, or possibly a subsidy to this mill of around \$800,000 a year.

As our figures come in I will try to include more of them.

Now, Mr. Myers, you have studied the sugar situation over the world.

Mr. MYERS. I have tried to, to some slight extent, Senator.

Senator DOUGLAS. I believe you are acknowledged to be one of the great world sugar experts. Your modesty compels you to deny that.

Mr. MYERS. Thank you for that compliment.

Senator DOUGLAS. When the Cuban quota was reassigned in the summer of 1960, and that amounted, did it not, to a windfall to the countries which received the previous sugar quota.

Mr. MYERS. Yes, Senator.

We are able to take in, of course, only sugar that had been produced for the world market over and above the quotas that they had produced for us.

Senator DOUGLAS. But is it not true that taking the world as a whole, there were approximately 10 million tons of sugar in storage?

Mr. MYERS. That is correct, and so far as I can recall and thank you for reminding me of the figure; I had forgotten it.

Senator DOUGLAS. And what happened, therefore, was that sugar produced at one price level, a low price level, now suddenly became worth almost twice that amount.

Mr. MYERS. That is correct.

Senator DOUGLAS. And a complete windfall of approximately \$150 million, therefore, went into the pockets of either the sugar speculators, sugar storage men, or sugar producers.

Mr. MYERS. Yes. It would be about at that annual rate. Actually, of course, we stopped taking sugar from Cuba in July 1960, and the reduction in the Cuban quota was only 700,000 tons that year, so to that extent it was a smaller amount.

Senator DOUGLAS. This was continued in the act which Congress passed last year?

Mr. MYERS. That is correct.

Senator DOUGLAS. Now, we hear a great deal about aid to Latin America.

Who got this windfall in 1960? Did the poor peasants down at the bottom get the windfall or did the big landowners and sugar mill owners and speculators get the windfall?

Mr. MYERS. Senator, we have, at your request, a year ago, undertaken to make some little survey of that. The information that we are able to assemble, I think, you will agree, was most inadequate and unsatisfactory. It seems to me that there are perhaps more facts per square inch in the statistical table that you have just discussed than in all the reams of paper that we submitted to you.

Senator DOUGLAS. Just to refresh your memory, in 1959 our information is that field hands in Peru received between \$1.20 and \$1.80 a day.

In 1960 they went up to \$1.35 to \$2, an increase of only about 15 to 20 cents.

In 1961, from a—from \$1.50 to \$2.25, an increase of 30 cents over the past. My figures also indicate that the W. R. Grace & Co. pays a daily wage to cane cutters of \$3 per day.

But on the whole, the increase was not great.

Mr. MYERS. Certainly in terms of U.S. wage levels they were very small, that is correct. They are still low.

Senator DOUGLAS. I believe the increase came to from 2 to 3 cents an hour.

Mr. MYERS. I think that is correct.

Senator DOUGLAS. Our information is that in Haiti the basic pay in 1961 is 81 cents a day, about 9 cents an hour, although Hasco may pay about \$1.80 per day; Costa Rica \$1.13 a day, assuming they have an 8-hour day there, which they may well have, about 14 cents an hour.

This has remained steady.

It is the same in 1960 and 1961 as in 1959.

In the Dominican Republic, it remained steady at \$1 a day, in 1959 and 1960, but did increase to \$2 a day in 1961.

Then—

Mr. MYERS. May I interrupt you, Senator?

Senator DOUGLAS. Yes.

Mr. MYERS. For just a moment.

Senator DOUGLAS. Yes.

Mr. MYERS. The increase in 1961 was, came, when the new Government took over and it was an action of the new Government and had no relation to our sugar program.

Senator DOUGLAS. Yes.

My information is that in Mexico the basic wage of field hands has remained unchanged. In 1959 it was \$1.60 a day, which would be 20 cents an hour, assuming an 8-hour day; in 1960 it was identical; in 1961 it was identical.

In Nicaragua there was an increase from \$1.42 in 1959 to \$1.70 in 1960, to \$2.13 in 1961.

In the Philippines it was 95 cents a day in 1959, falling to 84 cents a day in 1960; 91 cents a day in 1961, or 4 cents a day less at the end than it was 2 years before.

Mr. MYERS. Senator, in the case of the Philippines, those figures translated into U.S. dollars would reflect, I presume, the variations in the value of the Philippine peso.

Senator DOUGLAS. That may well be.

Mr. MYERS. I would assume, therefore, that—

Senator DOUGLAS. The point I am trying to develop is this: Here we have a huge windfall of \$150 million a year which has been paid for 2 years, and which the House now proposes should be continued for 4½ years, and expanded, as a matter of fact.

Now, such evidences as I have been able to collect are that very little of this trickles down to the workers on the plantations.

Mr. MYERS. Well, I think your statistical information is quite conclusive on the countries that you have cited, Senator.

Senator DOUGLAS. What happened was that in most cases the big landowners, who generally were also the big millowners, got these sums of money.

Mr. MYERS. Except to the extent that it was reflected in wages and, in some cases, in taxes.

Senator DOUGLAS. Yes.

I am a supporter of the Alliance for Progress, and I shall continue to be a supporter of the Alliance for Progress, because I think this is an effort to get the benefits down to the people.

But I think it is evident that this sugar program does not appreciably help the people when it is done. In large part it helps the already wealthy group of landowners.

I spent a little time in Latin America last December, and I tried to collect information on this subject.

Would you say that this observation is far from the truth: namely, that on the whole the wealthy plantation owners in Latin America do not invest their rents and profits to any appreciable degree in their own country, but send them abroad for safekeeping?

Mr. MYERS. Senator, I would have no firsthand knowledge of that. I would hope that your statement would be somewhat of an overstatement; I would hope so. There is progress going on down there in some of those countries, we all know.

Senator DOUGLAS. I have found very reputable students of this subject who say that virtually all the profits made by the landowners, not consumed in luxury by these landowners, are deposited abroad and not used for the development of their own countries. They are deposited notably in Switzerland; that is, they go into numbered accounts, and are hidden from public view.

Mr. MYERS. Well, Senator, I think we do have to recognize that after the experiences, such as we had down here in Cuba, where we certainly thought that was safe for capitalism, that people in countries that are likely to have their properties taken over do have to do what they can to protect themselves.

Senator DOUGLAS. But those very actions strengthen the Communists and make the turnover more probable.

Mr. MYERS. Unfortunately, that is correct, sir.

Senator DOUGLAS. And you have this group more intent on saving their own individual skins and their own individual fortunes than in building up their own country or protecting their economic system.

Mr. MYERS. That is simple, elementary economics.

Senator DOUGLAS. What?

Mr. MYERS. I say, that is simple, elementary economics, and I think it is undeniable.

Senator DOUGLAS. Now, they say: "If you take this \$150 million away from us, you destroy Latin American friendship and turn the people against you."

Isn't that what they are arguing?

Mr. MYERS. Well, that goes over into another field that I would rather leave to someone else.

Senator DOUGLAS. Do you think that these countries have a vested interest in the windfall which we give them; that is, a legal vested right, put it that way?

Do they have a vested right in the windfalls which we gave them?

Mr. MYERS. Senator, on that score, I can speak with some studied background. I listened most intently to the debates, and certainly we have addressed ourselves to the laws of Congress in trying to make it clear, and in our own actions and publications we have meticulously been trying to emphasize that the reallocations of the Cuban quota were not permanent quotas. They were simply temporary reallocations.

As a matter of fact, we have invented some sort of screwball wording of nonquota purchase authorizations to try to emphasize that this is not a permanent right. But still we get the criticisms as Secretary Murphy pointed out this morning, if you go from a temporary one to a lower one or do not have a temporary one come quick enough.

Senator DOUGLAS. I was denounced from one end of Mexico to Panama last year and declared to be an enemy of the Latin American countries, which I certainly do not regard myself as being.

This is a gratuity which we have paid, a very unwise gratuity, a sum not going to the people but in large part to a relatively restricted group.

It does not further democracy. Quite the contrary. This selfish group is now demanding that it be continued, and they are trying to make out the United States as an enemy of the Latin American people, which we are not, and this is the tragedy, that the sums which most of these people refuse to invest in their own countries have to be made good by the American taxpayer through the Alliance for Progress, and we are being called in to make good the failure in the faith of these people in their own nations.

Perhaps you do not want to answer that question.

Mr. MYERS. I should prefer not to.

Senator DOUGLAS. I will let it stand for the record.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. I will try to be as brief as I can.

The Sugar Act now is operated at a profit to the Treasury of the United States, is it not?

Mr. MYERS. The processing fees, fees from the processing tax of \$10 per ton, Senator, do exceed our Sugar Act payments by an average over the years of about \$18 million a year, as I recall.

Senator CURTIS. Now, is that the entire cost of operating the Sugar Act?

Mr. MYERS. That includes the Sugar Act payments and the administrative expenses for administering the sugar program, yes, the entire Government cost.

Senator CURTIS. When the consumers of the country buy sugar, the price they pay is the entire cost, is it not?

Mr. MYERS. Yes, sir.

Senator CURTIS. There is no part of the price of sugar paid either by the housewife or the industrial users that is paid by the U.S. Treasury?

Mr. MYERS. No, sir.

Senator CURTIS. The House bill provides for the domestic producers receiving 63 percent of the growth factor. What proportion do the domestic producers receive under existing law?

Mr. MYERS. They received about 55 percent of the growth over 8,350,000 tons. They received approximately 53 percent of that basic tonnage.

Senator CURTIS. Now, when did we go to the 55 percent?

Mr. MYERS. In 1956, if my memory is correct.

Senator CURTIS. What was it before that?

Mr. MYERS. The fixed quotas remained in effect until January 1, 1956, Senator. So that they were fixed for your beets at 1,800,000 tons.

Senator CURTIS. So back at that date was the first time the domestic producers shared in the so-called growth factor?

Mr. MYERS. That is correct.

Senator CURTIS. Isn't it true that increased production by reason of advances, technological advances, and improvement in fertilizer and seed and farming operations used up that 55 percent?

Mr. MYERS. They have run, the expansion as a result of improved yield per acre is generally credited to be, as much as 50,000 tons a year; yes, sir.

Senator CURTIS. What is the anticipated advance in increased yield expected to be in the next 5 years over the life of this bill?

Mr. MYERS. We have assumed, sir, that it would be comparable with that of the past or around 50,000 tons.

Senator CURTIS. You have taken into account in estimating that the increased basic quota and the increase in the growth factor up to 63 percent, you have taken into account the fact that present acreage will increase its yield?

Mr. MYERS. Yes, sir.

Senator CURTIS. In estimating that you have estimated that the proposal would provide for one new sugar plant a year?

Mr. MYERS. Yes, Senator. The assumption is that you will have about 75,000 tons a year increase in the beet quota; that the increase as a result of increased yield per acre will probably average on a trend line of around 50,000 tons.

There is always some dropping out, some changing, so that it is assumed that will take care of perhaps 25,000 tons, so that you can have a new mill and not have to cut down significantly at least—

Senator CURTIS. You would not have to punish anybody for their increased production?

Mr. MYERS. That is our hope; yes, sir.

Senator CURTIS. And still have a minimum 50,000-ton increase?

Mr. MYERS. That is the computation and expectation; yes, Senator.

Senator CURTIS. What looks like would be the expansion of domestic cane production on the mainland?

Mr. MYERS. Senator, we have had a bit of an explosion in Florida in the past 3 years, very largely this past year, going from 3 to 11 mills, and the acreage last year was 61,000 acres. This year I think it is going to be around 135,000 acres, so it is going up very, very sharply.

In Louisiana there was a slight increase. It is assumed, as Secretary Murphy pointed out this morning, that we will have to institute acreage controls in the mainland cane area. But we hope not to have to cut acreage back seriously.

Senator CURTIS. Is any expansion allowed for cane in either the administration bill or the House bill?

Mr. MYERS. The administration bill and the Senate bill would allow, if our forecasts are correct, for about 25,000 tons a year increase for the mainland cane area.

Senator CURTIS. Was the reason that the risk could be taken for building new plants in Florida during this period when we had no permanent legislation the fact that the risk could be taken to build new plants there? Was that due to the fact that they were building the type of plant that could either process the mainland cane or the raw sugar from abroad?

Mr. MYERS. No, sir. It was—well, it started out with the U.S. Sugar Corp.'s plans to add a new plant—it is a long-established firm—and it could use one for efficient processing purposes. And from there a wildfire occurred, and cooperatives started.

There was some Cuban capital over here that wanted to get into the sugar business, expatriates from Cuba, feeling that they knew how to produce sugar, and that here was an opportunity for continuing in the line of production that they were interested in and knew.

It was, frankly, a sheer gamble that the Congress might come along later and give them a quota so that they could market their sugar.

Senator CURTIS. Do you anticipate an increase or decrease in the per capita consumption of sugar?

Mr. MYERS. Senator, from all indications that we have, the per capita consumption is extremely stable at approximately 103 pounds raw value per capita. There are some little fluctuations from year to year one way or the other in distribution, but apparently the total consumption is right on that trend line and we do not know how to change it.

Senator CURTIS. The present trend in diets and weight control and that sort of thing is not a significant factor?

Mr. MYERS. Seemingly has had no measurable effect.

Senator CURTIS. What portion of the sugar is used in manufacturing as compared to the portion that is used directly by the housewife?

Mr. MYERS. Approximately 70 percent now for manufacturing and 30 percent for the housewife, which, I might say, is almost exactly the converse of the prewar situation.

Senator CURTIS. It is definitely the converse of when the Sugar Act was written.

Mr. MYERS. Definitely so.

Senator CURTIS. If either the House bill or the administration bill, which I understand is the Senate bill, were enacted, so far as the domestic production is concerned we would still be importing 40 percent of our sugar needs, would we not, a little more?

Mr. MYERS. Approximately that, yes.

Senator CURTIS. Do you know of any other product, agricultural or nonagricultural, that we have the capacity to produce where, by law, that portion of our consumption is mandatorily given to foreign countries?

Mr. MYERS. Well, Senator, the question, I think, is a little broad for me to answer.

We do, as you know, have two agricultural commodities we produce in quantity of which we are major importers. Sugar is one and wool is the other. We do have a wool program to expand our domestic wool production, but we have not, as I understand it, gotten up to the objectives of that act.

Here there is a problem, as Secretary Murphy pointed out—

Senator CURTIS. Before you leave the wool, what is the objective on wool?

Mr. MYERS. I have forgotten the exact figure that was in the act. I would have to check it, Senator. I can do so.

(The following was later received for the record:)

DOMESTIC PRODUCTION GOAL UNDER THE NATIONAL WOOL ACT OF 1954

The National Wool Act of 1954 established an annual domestic production goal of 300 million pounds of shorn wool, grease basis. The average domestic mill consumption for the years 1957 through 1961 was 551 million pounds domestic greasy shorn equivalent. Thus, the established goal of the National Wool Act is 54 percent of the recent average annual mill consumption. Domestic production of shorn wool in 1961 was 261 million pounds or 87 percent of the goal of 300 million pounds of domestic production.

Senator CURTIS. Would you supply it?

Mr. MYERS. I would be delighted to do so.

But in the case of sugar here, we do have to balance the interest of the refiners who use foreign sugar against the interests of the domestic growers and mills. We have to balance the interests of our export producers, such as our wheat producers, against the interests of our domestic sugar producers.

Senator CURTIS. Well, now, as representatives of the Department of Agriculture, do you regard the sugar production as a part of the overall agricultural picture here?

Mr. MYERS. Oh, certainly; yes, indeed.

Senator CURTIS. You have had no producers of any other commodities, such as wheat, asking you to restrict the production of sugar under the very doubtful hope that they might be able to trade wheat for sugar in some other country, have you?

Mr. MYERS. No, Senator. There has been a great deal of effort made, of course, to work out bilateral trade exchanges.

Senator CURTIS. But wouldn't it be fair to say of those groups—and I am familiar with what the wheat people want—that they say, "if we are to import sugar"—and they realize that considerable sugar will be imported, they would like to have wheat traded for it, if possible, is that correct?

Mr. MYERS. That is correct; yes.

Senator CURTIS. But you have no pressures from other branches of agriculture to deliberately hold down the production of sugar in this country?

Mr. MYERS. No, Senator. Each enterprise, so far as I am acquainted, is interested in pushing its own particular objectives, when you get into multilateral trade and foreign trade, the relationships get a little bit intangible—

Senator CURTIS. I understand.

Mr. MYERS (continuing). And, therefore, you do not see these direct pressures.

Senator CURTIS. There are areas domestically that are seeking the opportunity to produce sugarbeets that are now raising crops in surplus; that is true, is it not?

Mr. MYERS. That is correct.

Senator CURTIS. And, in fact, that is true of almost every area.

Mr. MYERS. It is true in many areas.

Senator CURTIS. Yes. Now, the production of sugar at the present time is a very important factor in the economy of Nebraska. It is important to our farmers, it is important to our processors.

I want a program that will preserve and protect what they have now. I do not want to jeopardize it. I do not want it to end there.

I feel that it is very much in the interest of our individual farmers, of our communities, and of the whole overall agricultural picture that we have an increased production.

I realize that this increase must be orderly, that it would be wrong to hastily cause or even hold out a hope that plants could be built where it would be unwise to build them or economically it would not be feasible.

What I want to ask you is, is there anything particularly magic above five new processing plants in the next 5 years?

Mr. MYERS. No, Senator. I think there is nothing magic about it.

Senator CURTIS. It cannot be defended as the right number rather than four or six or seven?

Mr. MYERS. I would not know how to go about that, except I would say that you do have a balancing of these forces, and this was worked out with a great deal of effort to try to get a total that the various groups could live with and still allow something for expansion that did not constitute too much of a threat to the old established growers.

Senator CURTIS. I understand that, and I do not impugn the motives or the intentions of anyone who has entered into the deliberations.

The people who now are processing offshore sugar or processing domestic sugar or existing growers we, at least, know they are and can be invited to a conference to at least discuss it.

Those who are not sharing in the production or processing at this time, we do not know who they are, and it is not possible to invite them into a conference, is it?

Mr. MYERS. That, unfortunately, is correct. We have made some efforts to get them.

Senator CURTIS. But you would recognize that the Congress had a responsibility to those people?

Mr. MYERS. Yes, Senator. We have even recognized that we have a responsibility administratively to get those voices heard, and we have made efforts to invite them.

But, as you say, it is difficult to get somebody when you do not know who he is.

Senator CURTIS. And he does not start out from the same premise in the give and take conversation either.

Mr. MYERS. That is right.

Senator CURTIS. The administration bill is predicated upon a basic consumption of 9,850,000 tons?

Mr. MYERS. 9.7 million now, and growing at about 160,000 tons a year; some people would say 150,000 tons. There is no purpose in arguing over—

Senator CURTIS. About 9,850,000—9.8 million in 1963.

Mr. MYERS. That would be about it.

Senator CURTIS. For 1963 it would be about 9,850,000?

Mr. MYERS. Presumably that.

Senator CURTIS. That is based upon an importation of 40 percent. The difference between an importation of 40 percent and 39 percent is 1 percent. You start scattering that 1 percent all over the world, and it does not create a great deal of prosperity or make very many people happy. But 1 percent of 9,850,000 would be 98,000.

Mr. MYERS. It would be substantially 100,000 tons.

Senator CURTIS. It would be substantially 100,000 tons.

Mr. MYERS. That is right.

Senator CURTIS. And you estimate that 50,000 tons are about the right amount for a new plant?

Mr. MYERS. That is correct.

Senator CURTIS. So a variation of the 40 percent to be imported from foreign countries, and counting our possessions and offshore islands as domestic, to change that 40 to 39 could add a couple of plants to this country.

Mr. MYERS. That would be correct.

Senator CURTIS. Are you prepared to say there are only five areas that it would be economically feasible and which are ready to go now in the support of a sugar plant in the beet area?

Mr. MYERS. No, sir; I would not want to debate that subject, in the least.

Senator CURTIS. Well, my point is that I think the Congress could err on both sides. I think we should go so far as to insist on domestic production that would lead into some problems, but I think we could hold it down to a point where it, administratively, would create some very difficult burdens as well as being unfair to some sections of the country, and if I can digress for just a few seconds, we had an incident in my home community back in World War II days when everything was rationed, including shoes.

There was a mother of twin boys, they were at the growing age, they were outgrowing their shoes, they were kicking them out and so on, and she had no more ration stamps.

She appeared before the ration board and told her story, and they deliberated awhile, and then for these twin boys they voted to allow ration stamps for one pair of shoes.

That is what could happen here if this domestic expansion is sliced too thin.

Senator MORTON. If the Senator would yield, he could have sent the boys to Kentucky and he would have no need for shoes. [Laughter.]

Senator CURTIS. That is right.

Senator BENNETT. Or he could have sent to Kentucky for some more ration stamps. [Laughter.]

Senator CURTIS. Now, I was interested in a suggestion for language that would clarify the status of the quota for an area that Senator Kerr and Senator Anderson spoke of, that would fix it so it would be definite and could be relied upon.

Under existing law, how is it determined as to what processing plant shall receive the marketing quota?

Mr. MYERS. Senator, the marketing quota under the present law goes to processors on the basis of three named factors in the law: Past marketings, ability to market, and production from proportionate share beets or cane.

Senator CURTIS. What is that last one?

Mr. MYERS. Production, you may say.

Senator CURTIS. Available production in the area.

Mr. MYERS. Past production, current production. Those three factors.

Now, the courts have indicated that we have some slight leeway in interpreting them. But we have always taken a recent average, for past marketings. We have usually used the highest recent year's experience for demonstrated ability to market, and we almost always use current production for this last figure.

Senator CURTIS. How are you going to apply that to an area that is not served by a processing plant now, and we will assume that it is an area where there is considerable sugarbeet production, but they are paying extra freight to get it out, at least enough to demonstrate ability to produce, and have over a period of years? Is there anything in this law, this proposal, to enable you to select a processing company and to give them a marketing quota? There would be no past marketing in the new area. Their ability to market could be shown and, of course, the current production in the area probably would be taken care of by this amendment.

Mr. MYERS. The current production—and I might say under the additional amendments that Senator Kerr and Senator Anderson are discussing, there would also be a specific reference to authorization to take into account the ability of these new plants to market.

Senator CURTIS. In other words, it would be proper then to make a request, if it is not already made, that in this language you submit that there would also be sufficient language submitted to this committee that would make it possible to grant a marketing quota.

Mr. MYERS. That is what they are working on now.

Senator CURTIS. The question I am about to ask is for information only and has no relation to any company or anything else. Would that marketing quota have to go to any existing company?

Mr. MYERS. No, Senator. There would be no need under this language for it to go to any existing company.

Senator CURTIS. I have no reason to raise any word against an existing company. I was just thinking over all the United States there might be an area where the other factors were favorable to the sugarbeet industry, but that they could not wait for someone to expand.

Mr. MYERS. I might say that there is at least one area that I know of where farmers are thinking of organizing a cooperative.

Senator CURTIS. Understand, I am not trying to argue the merits or to promote that, but I do think the law should be clearer so that existing processors or whoever is logical and could do it, to get a marketing quota and not be prevented therefrom because there was no past performance in the area it is going to serve.

Now, in determining the feasibility of or the appropriateness of a new area, what are the factors that ought to be taken into account? I assume that proven ability to produce beets is one?

Mr. MYERS. Senator, I would think that efficient production of beets would be one of the most important factors to be given consideration.

We have observed that wherever the grower is not able to grow efficiently and make a profit competitively, he tends to go out, and the factory has trouble. So that certainly ability of the growers to produce would be a prime factor and, presumably, this law is written for farmers, so certainly it should be written for the farmers who have an ability to produce.

Senator CURTIS. What other factors would there be?

Mr. MYERS. Well, the desire to grow would certainly be in there. In other words, you have many areas that could grow sugarbeets in this country, where they have the ability to grow other crops, some, like in the Corn Belt area, where they could grow sugarbeets, but under normal conditions they would prefer to grow corn or some other crop.

Senator CURTIS. Are there any other factors?

Mr. MYERS. Well, of course—

Senator CURTIS. Would there have to be a request from the processing company?

Mr. MYERS. In the final analysis you would have to know there was going to be a plant put up there, and not just talk about hopes, but actually something specific.

Senator CURTIS. Sort of a readiness to build a plant.

Mr. MYERS. Exactly, and to commit capital in the building of that plant.

Senator CURTIS. Based upon your wide knowledge of the sugar industry, Mr. Myers, what are some of the things that the processing company would have to look to to determine whether or not an area was desirable?

Mr. MYERS. Well, I would think they would have to look at the same things. They could speak more intelligently about this.

Senator CURTIS. They would be interested in production and whether or not the farmers—

Mr. MYERS. They would have to look at the basic production, ability of the growers, the willingness of the growers to plant sugarbeets rather than other crops; the dependability of the area year-in and year-out as to water supplies and labor supplies, and what would happen if the prices of some of our other crops went up relative to sugarbeets.

They would have to look at their own mechanical problems, and finally at their marketing problems. How far do they have to ship the sugar before they can find a market.

Senator CURTIS. That is what I was coming to, the nearness to a market for the sugar.

Mr. MYERS. That, presumably, would be one of the factors.

Of course, sugar is a rather expensive product and, therefore, can stand a good deal of shipping. But shipping is costly and, naturally, the farther they ship the lower the returns.

Senator CURTIS. Where is most of the beet sugar marketed?

Mr. MYERS. In the Chicago-west territory, sir.

Senator CURTIS. Chicago and west?

Mr. MYERS. Chicago and west, Chicago to the Pacific coast.

Senator CURTIS. Where is most of the Hawaiian sugar marketed?

Mr. MYERS. In the same area.

Senator CURTIS. Is Hawaiian sugar shipped as far east as Chicago?

Mr. MYERS. Yes, sir.

Senator CURTIS. Are you familiar with freight rates, in general?

Mr. MYERS. I have forgotten what the freight rate is from San Francisco to Chicago, sir. I am sure some Hawaiians are here to give it.

Senator CURTIS. But the freight from Kansas or Nebraska or Colorado to Chicago would be less than the freight from Hawaii, would it not?

Mr. MYERS. I believe it would; I am sure it would.

Senator CURTIS. The expansion in the beet sugar would likely come in the Western States or Chicago, and some little distances of that?

Mr. MYERS. Senator, there is expansion, there is a growth of the western market, with the tremendous expansion in population and manufacturing out there, it is true. But also as the production of beet sugar has been increasing in the last 2 years, it has had to push progressively farther eastward, and they have also had to push harder on their Chicago-west markets to take a larger percentage of the total for themselves and push out cane sugar.

Senator CURTIS. But the Pacific States are more than self-sufficient.

Mr. MYERS. Oh, yes.

Senator CURTIS. Without Hawaiian—

Mr. MYERS. Without what?

Senator CURTIS. Without Hawaiian sugar.

Mr. MYERS. Well, Senator, Hawaiian sugar is a part of California. It has been there for many, many years.

Senator CURTIS. Yes; I understand.

Mr. MYERS. And, frankly, I just do not have in mind any computations with Hawaiian sugar out of that area.

Senator CURTIS. I see.

To what extent has the pattern of trade and the economics of it determined the sale of sugar in the Southern States? Is that predominantly a cane area?

Mr. MYERS. The Southern States, yes, Senator, from southeastern Texas where we have one refinery, over to Louisiana, where we have a whole group of refineries, and on over to Georgia where we have one large refinery that handles a large part of the Florida sugar, that is all a cane area, and very little beet sugar gets down into there.

Senator CURTIS. How wide an area do they have, Mr. Myers, the predominant place in the market?

Mr. MYERS. Well, it is predominant in the South and eastern portion of that area. As you go north and westward, they come progressively more into competition with beet sugar from the Rocky Mountain States, and then the Chicago territory, of course, is a great com-

petitive ground for all sugar, especially from the Gulf States and from the West.

Senator CURTIS. Is cane competitive in the Southwest?

Mr. MYERS. Yes, sir. It is competitive throughout the West from California, and it is competitive, of course, in the Southwest from the Sugarland Refinery in Sugarland or Imperial Refinery in Sugarland, Tex.

Senator CURTIS. Would you say cane has the predominant position throughout Texas?

Mr. MYERS. Not throughout Texas. I would say in the southeastern portion of Texas, as I recall the area. I have forgotten exactly where the breaking point comes. Of course, it is not a sharp dividing line.

Senator CURTIS. I understand.

Mr. MYERS. It is a gradation from one to the other, and I would much prefer to have some of these people in the sugar trade who really know this area discuss it than to discuss it myself.

Senator CURTIS. I hope they will, too. But I feel that there should be something in the record on this, and I appreciate your answer very much.

Now, a question or two about Cuba. What was Cuba's permanent quota prior to the Communist takeover down there?

Mr. MYERS. It was—their quota was about 3,200,000 tons. It varied, of course, with our total requirements. But at our present level of requirements it would be exactly 3,200,000 tons.

Senator CURTIS. If their Communist government was ousted, would they immediately be able to resume that?

Mr. MYERS. Depending upon their production. But presumably they would not get down below that level. After all, their production has been all the way up to 7½ million tons.

Senator CURTIS. 3.2 million is not the production but the amount we have been buying.

Mr. MYERS. That is the amount we have been buying.

Before the Communists took over they had a market in the United States for approximately one-half of their sugar. They used a minor quantity themselves and the rest they shipped to the world market.

Senator CURTIS. My question is, then, is it your best judgment that if they ousted their Communist government they would be in a position to right off export to the United States 3.2 million or would it take a little time?

Mr. MYERS. Under the administration proposal, sir, the quota for Cuba would be 2,585,000 tons. That would be less than half of what her former production was.

Senator CURTIS. 2 million what?

Mr. MYERS. 2,585,000.

Senator CURTIS. That is your recommendation now that we fix the quota?

Mr. MYERS. That is correct.

Senator CURTIS. Do you think that could be reached immediately?

Mr. MYERS. I would assume so. This year, I might say that our information about Cuba is very inadequate and uncertain. But trade reports indicate that they have produced something like 4.5 million tons this year so far, and even the pessimistic estimates for next year do not go down as low, down below, 3 million.

Senator CURTIS. Perhaps the State Department should be asked this, but I would like to get the views of the Agriculture Department anyway. I think everyone is anxious to promote as much friendship around the world as we can. We may disagree as to how that is done. But is it the opinion of the Department that it is wise to definitely fix a quota in the law for a far-removed foreign country, unless this country expects to more or less permanently hope to rely on that source?

Mr. MURPHY. The answer to that is "No," Senator. We do not regard this as a wise thing to do.

Senator CURTIS. When you buy sugar at the present time under the regulations that were promulgated since the Communist takeover in Cuba, do you feel that is being handled in a way that it is not a commitment from the United States that the seller has a right or a fixed quota or a fixed interest in our consumption for future years?

Mr. MURPHY. Well, we certainly would say that they have no vested right on any thesis or any theory beyond the 30th of June, which is almost here.

It is true that the law that is in effect until the 30th of June has prescribed a number of formulas, standards to be followed in re-allocating the Cuban quota.

I think it is also true that the law itself has always indicated that this was to be regarded as something temporary. But it is true at the same time that a good many of the countries that have been getting these allocations are now saying that they have been built already into their sugar economies. I do not believe they say there is any vested right in a legal sense, but they say that this has been built in in an economic sense, so that if you take it away that you cause great damage.

Now, the longer this goes on the more validity this argument might have and the stronger, I think, we could expect it to be pressed upon us.

Senator CURTIS. Now, would you comment upon that problem if the administration bill were adopted. Your procedure for acquiring sugar abroad, would that also, if it did not establish a legal vested right in a market, would it create the same hopes for the vested right and the same pressures from abroad?

Mr. MURPHY. Generally speaking, I see no reason why it should. I will try to come to the exceptions. But, generally, I think the answer is there is no reason why it should, because the general rule would be that all exporting countries would have an equal chance at the American market.

Now, the exceptions are the Philippines, the permanent quotas of the countries that would go through a phasing out period, and another possible exception, of course, is Cuba if during this 5-year phasing out period they resumed diplomatic relations with the United States; and in that case they would fall into the phasing out pattern, and would have a right to a quota premium to that extent during that period.

But I think generally we would regard this as a doing away with as much of this kind of vested right attitude at the present time as is feasible, and phasing the rest of it out as rapidly as is feasible.

Senator CURTIS. Now, I sincerely hope that we can get the very best act passed and it become a law by July 1 of this year. It expires the last day of June.

Mr. MURPHY. Yes, sir.

Senator CURTIS. By the last day of June. I think we have an obligation to do so. But what is the situation if we fail?

Mr. MURPHY. If there should be an interval when there is no law on the books?

Senator CURTIS. Yes, sir.

Mr. MURPHY. This, I think, is primarily a technical question, Senator, and Mr. Myers can answer it much more competently than I.

We have talked about this some, this possibility. It is my own feeling that the principal changes would be in the price of sugar, and the short run changes. The domestic price of sugar very clearly is likely to go down, no one knows exactly how rapidly, and there might be some tendency of the world price of sugar to firm up.

But since I think this is an important question, since Mr. Myers is really the authority on this kind of thing, I think it would be useful to see if he has any comments that he feels he properly could make in response to this question.

Senator CURTIS. I think we must pass an act, but I would like to know what happens if we fail in it.

Mr. MURPHY. Is there something you could add to this, Mr. Myers?

Mr. MYERS. Frankly, I think you have answered it very adequately.

I would think that a lot would depend marketwise upon the attitude that Congress was taking.

If the Congress were to indicate that they were through with sugar legislation, there was not going to be any, I think it could have a very sharp effect on our prices.

Senator CURTIS. Would all the authority in the Department of Agriculture over sugar cease?

Mr. MYERS. Well, if the Sugar Act were to expire, yes. Our authority would terminate at that moment. I would say there would be one—we could make payments on this year's crop; yes.

Senator CURTIS. You could make payments on this year's crop?

Mr. MYERS. We could, but we could not stop imports. There would be, I am quite certain—

Senator CURTIS. You could not stop imports?

Mr. MYERS. We could not stop imports.

Senator CURTIS. Could you license it or restrict it in any way?

Mr. MYERS. Well, no, except that Cuban sugar has been stopped by a law other than the Sugar Act, so that would continue.

There would be, I am quite certain, a snapback in the tariff. I have forgotten just what that snapback would be.

Senator CURTIS. What do you mean by snapback?

Mr. MYERS. I think an increase in tariff rates becomes automatic the moment we would stop our quotas. I have forgotten exactly what it is.

Senator CURTIS. Do you know how significant that would be?

Mr. MYERS. I do not recall exactly what it is. It has been several years since I worked on it.

Senator CURTIS. And, of course, the results could be, under certain circumstances, quite chaotic.

Mr. MYERS. They could if it were over a long period of time or if there were a belief that Congress were not going to get at it.

On the other hand, if you are busy holding your hearings and a few days elapse, why, I would say there would not be anything that could not be repaired.

Senator CURTIS. Just for a few days. In other words, if the whole thing were abandoned and reasonable people did not think there would be any Sugar Act, that would be it.

Mr. MYERS. It could be disastrous.

Senator CURTIS. If there was a belief, every belief, that it could be done, but there was a hiatus of hours or days, it would not be significant?

Mr. MYERS. Yes, sir.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Senator Morton.

Senator MORTON. Mr. Secretary, I am sorry to hold you this long. I notice in this bill passed by the House that among six countries outside of this hemisphere there is a total new quota, basic quota—I am not speaking now of the Cuban division—of 161,000 tons. That amount would supply three mills according to the colloquy we had this morning.

As I understand it, there is no disposition on the part of the administration to push for the creation of 161,000 basic tons outside of this hemisphere?

Mr. MURPHY. There is no disposition on the part of the administration, Senator, to push for any basic quotas for any countries inside or outside this hemisphere other than the limited exceptions we have noted.

Senator MORTON. These were put in by the House. The problem that we encountered in World War II in getting enough sugar was transportation, in addition to the production of sugar. It strikes me as being somewhat shortsighted, regardless of our affection for these countries, to assign these quotas to such far distant lands.

But if we go ahead and put 161,000 tons of basic quota outside this hemisphere we are shortsighted—I have not included the increase in the quota for the Netherlands because the House has written a strange bill indeed.

They have increased the quota for the Netherlands. Then the House put another provision in the bill that says we can accept sugar from no country that is not self-sufficient, and even though the Netherlands have been making some use of their 3,700 ton quota they have from this country, they are not self-sufficient in the production of sugar, as I understand it. So the House has given them now an increase to 10,000, and in another section they said they cannot ship a pound. So this, to me, seems to be another thing in the House bill at which we had better take a rather long look.

My colleague from Illinois has made some very good points. He certainly has been a keen student of this situation and his questions to Mr. Myers as to how the sugar economy really works in some of these countries to the south, some of our friendly neighbors to the south.

I noticed the House has included here 100,000 tons for the British West Indies. Frankly, I am a bit more sympathetic to that than I am some of the others because I understand in the island of Antigua, there are 4,000 cane farmers, in Barbados, 16,000; in British Guiana,

1,600. It does not look as good compared to the total number of people in the sugar industry there and the total quota.

Jamaica, 27,000; St. Lucia, which is a rather small island, 700; and Trinidad 11,233.

Mr. Myers, do you think those figures are, so far as your knowledge goes, about correct? In these islands are these lands owned by rather small producers?

Mr. MYERS. It is my understanding that that is correct.

Senator MORTON. I point this out, and I shall probably reserve the balance of this discussion for the State Department witnesses who are to follow, but it is my understanding now that Jamaica and Trinidad are gaining independence. There is the possibility of at least three or four new votes in the Organization of American States as a result of what may happen in the next year or two in these islands. I think Senator Douglas, that in these particular islands you will find that the picture which you developed does not necessarily prevail. I did not want the discussion left with the thought that everything in this field was as gloomy as it had been painted, because I think that in these islands we will find it somewhat different.

I think, Mr. Chairman, any other questions I have had better be addressed to the witnesses from the Department of State.

The CHAIRMAN. Mr. Secretary, I wanted to ask several questions in regard to how the prices are fixed.

The American price, as I understand it, is approximately around 6 cents; is that correct?

Mr. MURPHY. Yes; it is a little over 6 cents, around 6.5.

The CHAIRMAN. Is that delivered? For instance, if you got sugar from the Philippines, would it be delivered to this country?

Mr. MURPHY. That is the delivered price in this country.

The CHAIRMAN. Delivered price?

Mr. MURPHY. Yes.

The CHAIRMAN. And then the world price is something less than 3 cents, 2.7 cents?

Mr. MURPHY. That is correct, between 2½ and 3 cents.

The CHAIRMAN. Does that fluctuate from year to year?

Mr. MURPHY. Both the American price and world price fluctuate from year to year and within the year.

The CHAIRMAN. How do we fix our price here?

Mr. MURPHY. We aim at fixing it, Senator, by regulating the available supply. The effort is to regulate the supply so as to achieve a market price, and this is done by—first by an estimate as to the annual consumption, and then basing the various quotas and allocations on that estimate, and sometimes adjustments during the course of the year are required.

The CHAIRMAN. What have been the fluctuations in the past few years?

Mr. MURPHY. I would like to ask Mr. Myers to answer that question.

The CHAIRMAN. I thought it was 5 cents a little time back.

Mr. MURPHY. I do not think the fluctuations have been that much. I think the price has ranged between 6 and 6½ cents, but I am not clear on it.

Mr. MYERS. Senator, the fluctuation has been very small. Last year it was just over a half cent. In 1961, a year ago, it was eighty-

five one-hundredths of a cent and, frankly, it has been less than a cent a pound every year since 1952.

The CHAIRMAN. Do you have any information as to how much Castro is getting for his sugar now?

Mr. MYERS. Senator, he claims to be getting under his contract with the Communist countries 4 cents a pound, as I recall the debates. However, it is my understanding that that is paid 20 percent in money and 80 percent in barter of goods and, of course, if he has to take 80 percent in Communist goods, you would have to know how the Communists were pricing their goods to know what, if anything, they are paying him. Some of the sugar has been resold by the Communist countries at prices that indicate they do not think it is worth 4 cents a pound. It is vastly lower than that.

The CHAIRMAN. What is your estimate of the loss Cuba is suffering every year now by reason of the fact that we are not buying sugar from her?

Mr. MYERS. Well, certainly they have lost the quota premium that we paid them of \$150 million in the last year we bought sugar from them, and that was about half the total price paid. They have been losing certainly \$300 million a year from us, I would say, and I might also add that they have lost some of their other capitalistic or free country markets. So that it runs clearly into the hundreds of millions of dollars.

The CHAIRMAN. When Russia buys, does she do it mainly by barter?

Mr. MYERS. It is my understanding of those contracts that they specified the quantity of sugar to be taken by the Communist countries and that Cuba was to be paid 80 percent in Communist goods and 20 percent in money, in dollars, convertible exchange.

The CHAIRMAN. In American dollars?

Mr. MYERS. Presumably convertible currency, which could be American or other. So that would mean, in other words, that they got 80 cents a hundred pounds in money and the rest in trade goods.

The CHAIRMAN. Is any paid for in gold?

Mr. MYERS. I don't know of any paid for in gold.

Senator BENNETT. I have one question.

Mr. Myers, earlier in the testimony this morning an attempt was made to develop a figure indicating the increase in the beet sugar tonnage over the past few years, and as I remember, they got a figure somewhere around 760,000 tons. Do you remember that colloquy?

Mr. MYERS. Yes; between Senator Anderson and myself. And, of course, there has been a rather tremendous increase in the production of beet sugar since the war. Senator Anderson was then Secretary of the Department, as you will recall. Shortly after the war, when to the best of my recollection, our production of beet sugar was slightly below a million and a half tons—you will remember it was very low during the war. Production has come up and, as he indicated, the expectation is that the crop now in the ground will probably produce 2,700,000 tons of sugar.

Senator BENNETT. Looking at it from the point of view of allotment, and going back to the time when we took away the Cuban quota and started on this present program, was it June 1959?

Mr. MYERS. July 1960, as I recall, when we stopped taking sugar from Cuba.

Senator BENNETT. How much has the beet production increased in terms of rate or annual rate? Let's take the whole year 1960, if it is hard to start in July.

Mr. MYERS. This probably will get at the figures, Senator Bennett. And I will read them in round figures. In 1955 we produced 1,797,000 tons. In 1956 we went up to 1,955,000; in 1957, to 2,066,000; 1958, to 2,240,000; the next year to 2,241,000.

Senator BENNETT. Almost the same?

Mr. MYERS. Almost the same.

And then down to 2,165,000.

Senator BENNETT. That is 1960?

Mr. MYERS. That is 1960.

Those are marketings, I am sorry, I thought I was reading the production, they are marketings.

Senator BENNETT. Let's look at the marketings.

Mr. MYERS. In 1961, to continue this, the marketings were 2,607,000.

Senator BENNETT. Now, let's look at this same list. When did the domestic beets begin to pick up shares of the deficits in Puerto Rico and Hawaii?

Mr. MYERS. It came very largely in 1958 and later. That was the huge year.

Senator BENNETT. Now, can you relate the deficits to these figures you have just given me? In other words, how much of this 2,240,000 represented a deficit allotment?

Mr. MYERS. Senator, I would like to check those figures accurately and submit them for the record. It is very—there was a very large deficit, I remember, in 1958, 1959, and 1960. That is what exhausted our beet sugar stocks and ran them down so low, that we had to take off acreage controls.

(The following was later received for the record:)

Domestic beet sugar area production, marketings, and sugar marketing quotas, 1955-61

[Short tons, raw value]

Year	Crop year production	Marketings	Quota		
			Basic	Allocation of deficits	Total final adjusted quota
1955.....	1,723,161	1,797,325	1,800,000	-----	1,800,000
1956.....	1,964,757	1,955,252	1,953,952	1,449	1,955,401
1957.....	2,206,406	2,065,687	1,948,357	122,337	2,070,694
1958.....	2,212,022	2,239,852	1,998,717	293,771	2,292,488
1959.....	2,298,427	2,241,165	2,043,480	224,185	2,267,665
1960.....	2,474,665	2,164,692	2,267,301	247,644	2,514,945
1961.....	2,427,032	2,607,166	2,177,773	431,397	2,609,170

Senator BENNETT. When you made the statement that there was an increase in this beet sugar allotment or marketings—and I am not sure which the statement covered—of something like 760,000 tons over a period, this included the deficits, did it not?

Mr. MYERS. Yes, definitely so. The opportunity came as a result of the deficits.

Now, there are two different things here. The deficit is a marketing limit. The other is production.

Senator BENNETT. That is right.

Mr. MYERS. Now, last year at this time we all anticipated that there would be a beet crop of around 2,700,000 tons. Actually it turned out, as I recall, 2,450,000 tons.

Senator BENNETT. That is the production against the marketing of 2,667,000?

Mr. MYERS. 2,607,000, yes.

Senator BENNETT. What will happen when these other offshore sources of sugar overcome their deficit?

Mr. MYERS. Well, if you will let your quotas stand where they are today, and the offshore areas should again pick up production, of course you would have to have a very drastic cutback in both beets and mainland cane production.

Senator BENNETT. What is the effect of this bill on the situation?

Mr. MYERS. The effect of this bill, sir, would be to let the beet area pass on forward without a cutback, certainly without a substantial cutback in production. And we would hope that mainland cane also would be able to continue with substantially present acreage, maybe a moderate cutback, but not a disastrous one.

Senator BENNETT. The deficit would come out of the growth, then, if these other offshore countries should suddenly have a good crop and no deficit, the effect of this would be to—

Mr. MURPHY. This would have no effect on the mainland quotas on beets?

Mr. MYERS. That is correct. Secretary Murphy called attention to a very important point. This bill not only increases the current basic quota and the growth factor, but it says that any future deficit would be to foreign countries and not be reallocated to other domestic areas.

Mr. MURPHY. That is to say, any deficit in the Puerto Rico and/or the Hawaiian quotas would be filled by imports.

Senator BENNETT. In the future?

Mr. MURPHY. In the future.

Senator BENNETT. Then the domestic operators have given up in this bill their right to increase their marketings if there are deficits in these two domestic cane-producing areas?

Mr. MYERS. That is right, they have given up the uncertainty of deficits for a certainty of something that will let them continue where they were with a modest growth hereafter.

Senator BENNETT. But looking back at these growth figures, these figures have been created not by increases in firm allotments, but by the right they had to pick up the deficits?

Mr. MYERS. Yes, Senator. And that is exactly why we ran out of controls, we had not been able to forecast them, we didn't know that these deficits were coming, and all of a sudden they hit us, we ran out of sugar and we had to take off acreage controls.

Senator BENNETT. Thank you very much, Mr. Chairman.

Senator CARLSON. I have just one question on this.

Senator Bennett has got into a discussion here about what happens to allocations. And I am looking now at page 2 of the House report, where they have a table which shows the domestic beet sugar, mainland cane sugar, Hawaii, Puerto Rico, and the Virgin Islands, with a total under the present legislation of 5,186,500 tons. In the House

bill that is 5,810,000 tons. The question I want to ask is this: If it develops that these quotas are not fully used in the domestic, the cane or these other areas, will those quotas not be allocated to other foreign producers? Can they not be, and will they not be?

Mr. MYERS. Under the proposed legislation—

Senator CARLSON. Assuming that we don't use them, or any of these people, can you not assign them to other countries?

Mr. MYERS. In both the House and the Senate bills, Senator, the future deficits would be filled by foreign countries, imports from foreign countries, and not be reallocated to other domestic producers.

Senator CARLSON. In other words, if we do not use them, we not only lose them but they are allocated to other countries?

Mr. MYERS. Just on this temporary 1-year basis.

Senator BENNETT. On a year-to-year basis?

Mr. MYERS. Not on a permanent basis.

Senator CARLSON. Thank you very much.

Senator CURTIS. Just one brief question, Mr. Chairman.

Mr. Myers, what is the average production of sugarbeets per acre?

Mr. MYERS. I would rather state it in terms of beet sugar, if you don't mind, Senator. It is about 2½ tons of beet sugar per acre.

Senator CURTIS. And approximately how many beets is that, how many tons of beets? The sugar content will vary.

Mr. MYERS. About 17 tons on the average, I think about 17 tons of beets.

Senator CURTIS. And in producing areas what is the high and what is the low?

Mr. MYERS. Senator, they used to go all the way from seven up to the twenties, occasionally up into the thirties. Most of our producing areas have ranged, I would say at the current time, from around 12- to 20-odd tons per acre.

Senator CURTIS. A low of 12 and a high of 20?

Mr. MYERS. That is about right.

Senator CURTIS. That is exclusive of little patches.

Mr. MYERS. That is right, that is for big major producing areas, generally a lower average yield in the rainfall districts, a higher average yield in the irrigated districts.

Senator CURTIS. The irrigated districts run higher?

Mr. MYERS. Run higher in yields per acre; yes, sir.

Senator CURTIS. And what type of acre runs the highest in sugar tonnage, the irrigated or the nonirrigated?

Mr. MYERS. I don't know of any difference there, Senator. I think it would be more a matter of climate.

Senator CURTIS. A little seasonal fluctuation?

Mr. MYERS. A very great seasonal fluctuation, a rather significant one, yes.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much, gentlemen.

(The bill, S. 3290, previously referred to follows:)

[S. 3290, 87th Cong., 2d sess.]

A BILL To amend and extend the provisions of 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 this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar.....	2, 650, 000
Mainland cane sugar.....	895, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	5, 810, 000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 has exceeded the sum of the quota for such area for such year established under paragraph (1) of this subsection and the quota, if any, established under section 203 for such area, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202 (a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

"(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(c) (1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation S20, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation S11 for the six-month period ending June 30, 1962.

"(2) For the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(3) (A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less seven hundred and nine short tons, raw value, for 1962 and less fourteen hundred and sixteen short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	
Cuba.....	88.85
Peru.....	3.73
Dominican Republic.....	3.31
Mexico.....	2.75
Nicaragua.....	.54
Haiti.....	.26
Netherlands.....	.14
China.....	.14
Panama.....	.14
Costa Rica.....	.14
Total.....	100.00

"(B) For the six-month period ending December 1962, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States a total of fourteen hundred and sixteen short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774).

"(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to any country with which the United States is not in diplomatic relations, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of any amount so determined need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest.

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that (i) sugar testing in excess of ninety-nine degrees polarization may be authorized for purchase to be further refined or improved in quality in the United States, and (ii) if the Secretary determines that raw sugar is not reasonably available, he may authorize for purchase for direct consumption such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204."

Sec. 4. Section 204 of such Act is amended to read as follows:

"Sec. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise

the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c) (3) (A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he may apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c) (3) (A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c) (3) (A) can fill all of any such deficit whenever the provisions of section 202(c) (4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c) (4), and whenever section 202(c) (4) does not apply he may apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

Sec. 5. Section 206 of such Act is amended to read as follows:

"Sec. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

Sec. 6. Section 207 of such Act is amended to read as follows:

"Sec. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e) (1) Not more than two hundred and fifty thousand short tons, raw value, of sugar of proration established for Cuba under section 202(c) (3) for any calendar year may be filled by direct-consumption sugar subject to the provisions of paragraph (4) and (5) of section 202(c).

"(2) The proration established for each foreign country, except Cuba, which receives a proration of more than ten thousand short tons, raw value, under section 202(c) (3), may be filled by direct-consumption sugar to the extent of the quantity determined by prorating among such countries, in the same ratio that each country's proration bears to the total of the prorations for such countries, the quantity determined by applying 1.36 per centum to the quotas for foreign countries established under paragraph (1) or (2) of section 202(c). The proration or allocation established for each foreign country which receives a proration or allocation of ten thousand short tons, raw value, or less under section 202(c) (3), may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 7. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: 2,000,000 gallons of sirup of can juice of the type of Barbados molasses, limited to liquid sugar containing soluble non-sugar solids of more than 5 per centum of the total soluble solids, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 8. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 9. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 10. A new section 213 is added and inserted immediately after section 212 of such Act follows:

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign

countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per-pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, 1964, 1965, 1966, and succeeding years, which fee in each such year shall be respectively 20, 40, 60, 80, and 100 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most favored-nation-tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, 1964, 1965, 1966, and succeeding years shall be respectively 0.2, 0.4, 0.6, 0.8, and 1 cent per pound more than the import fee imposed on raw sugar under this paragraph.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following:

"Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar within proportionate shares when in effect, and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. In order to make available acreage for

growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield fifty thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing."

Sec. 12. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

Sec. 13. Section 408 of such Act is amended by striking out "(a)" at the beginning thereof and by striking out all of subsection (b) thereof.

Sec. 14. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

Sec. 15. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

Sec. 16. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" and inserting in lieu thereof "1967" and by striking out "1963" and inserting in lieu thereof "1968".

Sec. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 and section 10 shall each become effective upon the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

The CHAIRMAN. The next witness is the Honorable G. Griffith Johnson, Assistant Secretary, Bureau of Economic Affairs, Department of State, and Mr. Edwin M. Martin.

Will you proceed, Mr. Johnson?

STATEMENT OF HON. G. GRIFFITH JOHNSON, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AFFAIRS, DEPARTMENT OF STATE; ACCOMPANIED BY EDWIN M. MARTIN, ASSISTANT SECRETARY, BUREAU OF INTER-AMERICAN AFFAIRS; AND PAUL E. CALLANAN, COMMODITIES DIVISION

Mr. JOHNSON. Mr. Chairman, I appreciate this opportunity to present to you the views of the Department of State on the proposal for new sugar legislation. Here with me is my predecessor, Mr. Martin, now the Assistant Secretary for Inter-American Affairs, and also Mr. Paul Callanan of my office.

We would like generally to associate ourselves with the fine statement of Secretary Murphy, and we should like to make clear at the beginning that we support the bill proposed by the President and vigorously oppose those provisions of H.R. 12154 as passed by the House which relate to foreign imports. It is our firm belief that these provisions are contrary to the foreign policy interests of the United States.

Our first objection is to the emasculatation of the former Cuban quota. The President's bill, after taking into consideration increases in domestic quotas, establishes the former Cuban quota at about 2,600,000

tons. The House bill further reduces this quantity to 1.5 million tons by allocating 1.1 million tons to 25 other foreign countries. The Department of State considers it of critical importance that the former Cuban quota not be reduced below the 2,600,000-ton figure.

We must look forward to the day when Cuba returns to the family of Western nations. We must provide all the inducement we can to have this event occur as soon as possible. By reducing Cuba's potential opportunity to trade with the United States, we would only strengthen Castro's position in Cuba and discourage those forces opposed to him. The reduction contained in the House bill would serve to support Castro's contention that Cuba's future lies with the Communist bloc. To repeat, therefore, I strongly urge that the former Cuban quota not be scattered piecemeal to a large number of foreign countries, but retained intact as an open invitation for Cuba to return to the West.

The second point I wish to emphasize is the importance of the concept contained in the President's bill of maintaining the former Cuban quotas on a global basis without premiums—and of rejecting the provisions of the House bill which establishes new quota allotments. These quotas would be substantially increased by the House bill. Fourteen new countries would be given basic quotas. The vested interests thus created would prove difficult if not impossible to withdraw later without a severe impact on our relations with these countries. It is our position that the former Cuban quota after allowing for the increases in domestic quotas should be put entirely on a global basis. That is, it should be made available to all friendly countries on a nondiscriminatory first-come first-served basis. It is only in this way that the door can be held open for Cuba to regain on a freely competitive basis its former position in the U.S. market.

As an integral part of a global quota system, we recommend that we stop paying foreign suppliers a premium price for sugar imported into the United States. The President's bill proposes that the present basic quotas of foreign countries be retained at their present levels. The premium price paid on the former Cuban quota would and should be eliminated immediately. With the exception of the Philippines, the premium price now paid to other foreign countries would be reduced gradually over a 5-year period. The premium price should be removed on the former Cuban quota and eliminated gradually on other basic quotas by imposing a fee which would be approximately equal to the amount by which our domestic sugar price exceeds the foreign market price for sugar. This fee would eliminate substantially all the subsidy or price incentive which now stimulates foreign countries to struggle so desperately for a sugar quota in the U.S. market and which arouses such high emotions and disappointments.

There is no justification for continuing to subsidize foreign sugar producers in order to assure adequate sugar supplies. The United States is heavily dependent upon foreign sources for a wide range of industrial raw materials and foodstuffs, yet has not found it necessary to subsidize foreign production to assure that our import requirements are met.

Interruption of the sugar trade with Cuba provides an opportunity to put an end to an import subsidy system which no longer serves its original purpose. Cuba had a significant economic interest in the

price premium as its quota was over 3 million tons. Aside from the Philippines, where we are bound by treaty to accord special treatment to sugar imports, the vested interests of all other countries—14 in number, that is, the existing vested interests—amount to only 280,000 tons, and the total quota premium to these 14 countries in the last normal year—1959—was worth about \$13 million. If this premium were to be phased out over a 5-year period, these countries should be able to adjust to this small change in their export earnings without serious difficulty.

We have aid programs today to direct resources on the basis of need. Aid through a sugar program does not assure that resources are going to the right places or in the right amounts. In the absence of any objective standards that can be consistently applied, quotas must be doled out on a basis that need bear little relation to needs or to efficiency in production. The temporary allocations made over the past 2 years to replace Cuban supplies have encouraged sugar expansion in some countries, not because of any inadequacy of world sugar supplies, but solely in anticipation of receiving permanent quotas in the United States for premium-priced sugar.

The need to allocate valuable quota privileges among competing foreign claimants creates political problems of the most difficult kind. Virtually every cane sugar producing country in the world and many of the beet sugar producing countries in Western Europe are seeking quotas. In presenting and carrying out a long-term sugar policy, the administration should not have to take a position favoring some friendly countries over others. We make no friends in this process. Even those who receive a quota complain of its inadequacy, and criticize us for favoring others with larger quotas. Already complaints are coming in from foreign countries complaining about the quota provisions of the House bill. A global quota system would eliminate the necessity for choosing among the numerous claimants for the Cuban quota.

We are also gravely disturbed by the provisions of H.R. 12154 which completely eliminate the refined sugar quota amounting to 375,000 tons, which formerly was assigned to Cuba. The executive branch, after discussions with domestic sugar interests, proposed a reduction to 250,000 tons. We believe this quantity, which at best is only a token amount, compared to our total imports of raw sugar, should be permitted to enter the United States in refined form. A complete elimination of the opportunity to sell even small quantities of refined sugar to the United States would be indefensible in the eyes of those countries which look forward to some diversification in their trade with the United States.

Further, the Department of State considers that the provisions of section 12 of H.R. 12154 represent an undesirable use of our power to allocate import quotas to affect the behavior of other governments. However, with the elimination of the premium quota concept, as proposed in the President's bill, the provisions of section 12 would automatically lose their effectiveness. Even so, the inclusion of coercive provisions of this kind in this legislation is, in the Department's view, unwise and unwarranted.

Finally, Mr. Chairman, we should also like to express our view that section 18 in the House bill is an undesirable method of handling the

particular situation which developed in the Dominican Republic. The Department feels that it would be wiser to handle this particular situation through the aid program rather than by appropriating money directly to the sugar companies who supplied this amount of nonquota sugar.

That completes my statement, Mr. Chairman.

The CHAIRMAN. Mr. Johnson, as I understand it, you favor abolishing subsidies for sugar.

Mr. JOHNSON. In the purchase of imported sugar, yes, sir, except for the Philippines and the phasing out of the existing quotas.

The CHAIRMAN. And then you would buy it at the world price?

Mr. JOHNSON. That is correct, sir.

The CHAIRMAN. Which is about one-half of what you have been paying?

Mr. JOHNSON. That is the relationship at the moment; yes, sir.

The CHAIRMAN. And you wouldn't buy any sugar at 6 cents?

Mr. JOHNSON. Except in the case of the Philippines and in the case of those countries which hold small quotas under the existing act, that is correct.

The CHAIRMAN. I have always favored abolishing the sugar subsidy, but if you pay 6 cents in the Philippines and 3 cents in other areas, how much do you finally charge the consumer here? How do you work that?

Mr. JOHNSON. Well, the difference between the Philippines, which is roughly comparable to the domestic price, would be covered by a fee, an import fee which would attach to the other imports of sugar.

The CHAIRMAN. Would you attempt to hold the price now to those that purchase sugar in this country?

Mr. JOHNSON. The price of sugar in this country would basically be determined by the supply arrangements established by the Department of Agriculture. And the world price would be related—the imports of sugar would come in at the world price, but would sell domestically at the domestic price.

The CHAIRMAN. Would that reduce the price of sugar to the consumer?

Mr. JOHNSON. I would not anticipate that it would, because basically the domestic price of retail sugar is set by the supply.

The CHAIRMAN. If you paid 3 cents instead of 6, why wouldn't you make a saving somewhere along the line?

Mr. JOHNSON. The saving would go to the Treasury.

The CHAIRMAN. How much saving would there be to the Treasury?

Mr. JOHNSON. Well, under present circumstances with the present relationship of prices, there would immediately in the first year be a saving in the area of about \$135 or \$140 million.

The CHAIRMAN. But there would be no difference in the consumer's price?

Mr. JOHNSON. No difference, sir.

The CHAIRMAN. The big users of sugar like Coca-Cola will pay what they pay now?

Mr. JOHNSON. That is correct.

The CHAIRMAN. And the housewife will pay the same?

Mr. JOHNSON. That is correct.

The CHAIRMAN. And you figure there will be a saving of about \$135 million, is that the figure?

Mr. JOHNSON. That is correct.

The CHAIRMAN. Which would go into the U.S. Treasury, is that it?

Mr. JOHNSON. Yes. The saving, of course, would be determined by the gap between the world price and the domestic price. And that varies from time to time.

The CHAIRMAN. How will it affect the beet sugar people? Is the price fixed so that they will get paid on the basis of—

Mr. JOHNSON. This would have no effect on the payments to the domestic sugar producers.

The CHAIRMAN. They would get paid on the basis of 6 cents, then?

Mr. JOHNSON. Yes.

Senator BENNETT. And the cane sugar in Louisiana and Florida and Hawaii and Puerto Rico.

The CHAIRMAN. It looks a little complicated to me. You are buying in some countries at 3 cents and in others at 6.

Senator MORTON. He used the word "premium" instead of "subsidy." There is a little difference between "premium" and "subsidy." You eliminate the premium.

The CHAIRMAN. You said "subsidy" in one place?

Mr. JOHNSON. That is right. Sometimes it is called "subsidy" and sometimes "premium" and sometimes "price incentive."

The CHAIRMAN. Some on the committee specially don't like the word "subsidy." That is what I used in connection with this 8-percent credit, and it created quite an argument.

Senator Douglas.

Senator DOUGLAS. Mr. Johnson, I want to congratulate you and the State Department on the position which you take this year. I hope you will forgive me if I say that this is a very welcome change from the position which you took last year.

Now, I am well aware of the fact that the head of the Latin American Division last year was another man, I believe another man in a double sense, Mr. Thomas Mann, not the novelist but the Foreign Service officer.

Senator BENNETT. Ambassador to Mexico.

Senator DOUGLAS. Who was promoted for his magnificent service in connection with this to be Ambassador to Mexico.

I think your testimony this year is splendid. And I don't believe in calling up old scores, but since some Foreign Service people always believe that Members of Congress are foolish, and they possess all wisdom, I would like to say that we probably could have passed this identical bill last year if you had given us your support. We had a unanimous vote in this committee, and it was scheduled for passage on the floor, and Secretary Mann immediately took the offensive with telephone calls and letters, and so forth and so on, the lobby came up from Central and South America, and the air was black with the wings of the airplanes bringing the high-priced lobbyists. And they descended upon Washington like 17-year locusts. And what seemed to be a comfortable majority for our position one day melted into insignificance the next.

Mr. Mann's argument last year was that we would endanger Latin American relations if we did it. I argued that we would build up vested interests which would later make it more difficult for us to remove the subsidy (premium).

Now, I see in your testimony that you think this has created more problems than it has solved.

Mr. JOHNSON. That is correct.

Senator DOUGLAS. That the subsidy (premium) has not gone to those who need these amounts but gone to a relatively limited group who try to get all four feet into the trough and get a constantly larger share. And eliminating the question of the feet in the trough, this is the position which you took, isn't that right?

Mr. JOHNSON. Yes, sir.

Senator DOUGLAS. In more gentlemanly language?

Mr. JOHNSON. That is right.

Senator DOUGLAS. Now, I hope that you can carry the message back to your Foreign Service officer. But sometimes Congress is right. Sometimes Senators know best.

And with that statement, let me say, I welcome your repentance. I hope you will be just as active in support of this bill as you were active in opposition to the bill last year. I hope you intend to go all the way through down to the wire with us on this.

Mr. JOHNSON. Well, we do, Senator, feel very strongly on this particular piece of legislation.

Senator DOUGLAS. That is fine.

Mr. Chairman, I think we ought to send a letter to the Secretary of State commending Mr. Johnson and Mr. Martin for the position which they have taken, and have the appropriate passages sent to all Foreign Service officers of the first class.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Mr. Johnson, as Secretary of the Bureau of Economic Affairs, will you handle the sugar section, if there is a sugar section in the State Department?

Mr. JOHNSON. Yes, sir.

Senator CARLSON. Do you assign quotas, do you cooperate with the Secretary of Agriculture, or how are these quota arrangements made with other countries?

Mr. JOHNSON. Well, the basic responsibility for administering the legislation is, of course, with the Secretary of Agriculture. And in my experience there has been a very close and satisfactory relationship between the Department of Agriculture and the State Department, since many of these matters as they affect foreign countries are discussed between the two Departments, and the Department of State acts as the formal agent in negotiations with the countries involved.

Senator CARLSON. Do our Ambassadors and Foreign Service officers at the direction of the State Department make arrangements for quotas to these countries?

Mr. JOHNSON. I am sorry, I can't say to what extent they are. I think most of this is handled in the departments in Washington. To the extent to which the Foreign officers, let's say, the agricultural attachés, get involved, I do not know, but I suspect only in the role of supplying information as requested by the departments here in Washington.

Senator CARLSON. I assume that representatives of these governments where quotas are allocated, do come in with questions to the State Department and the Department of Agriculture for quotas.

Mr. JOHNSON. They do indeed, sir.

Senator CARLSON. And of course the allocations are made by the Secretary of Agriculture. But does the State Department have veto power over these?

Mr. JOHNSON. I am going to ask Assistant Secretary Martin to answer that. He has had a god deal more experience than I have.

Mr. MARRIN. We are asked to concur in the proposals of the Secretary of Agriculture. I suppose if we could not agree the matter would have to go to the White House. I don't know that this has ever occurred in my experience. We have always managed to get together. I would say that the basic factor that comes first that we would not in any sense be disposed to overrule is the necessity for assuring a supply of sugar. That is the No. 1 criterion. There have been cases where on political grounds we would prefer to buy from this country rather than that one, but we were told that sugar could not have gotten to this country in time. That has overruled us. I would say on the whole we have not tried to exercise the veto, but we would take an issue to the White House if we thought it appropriate to do so.

Senator CARLSON. I don't know the particular interest you have, but isn't this allocation of these sugar quotas a very important part of our international program, diplomacy and every other type of international relations enter into it?

Mr. MARRIN. It has become a very controversial issue in our international relations with an ever widening number of countries. But as indicated by our support for this bill, as submitted by the President, we think on the whole it hasn't been a constructive factor in our diplomatic relations with other countries.

Senator CARLSON. I notice in Mr. Johnson's statement he said we have aid programs today to direct resources on the basis of need. Those of us who have been in this field for some time, in the field of foreign relations and the Senate Foreign Relations Committee, have been concerned that aid is not the only thing that gets into this picture, there are many other things that enter into the political side, and some of these questions are coming up to the State Department. And I appreciate the State Department's position. And I think you were here this morning, Mr. Johnson, when I asked Secretary Murphy about the bartering, if you had bilateral trade arrangements with some of these countries for commodities that they need in trade for sugar.

I assume the State Department is very much opposed to that.

Mr. JOHNSON. I would say in general, Senator, that we see a great many difficulties involved in any extensive program of this kind. And we have some doubts that any extensive use of this kind of arrangements would be actually to the benefit of American agriculture itself. But I am not prepared to—I don't think we are prepared to say categorically that there are no circumstances where such an arrangement can be operated.

As you know, there was a program operated this winter for a limited amount of tonnage.

Senator CARLSON. In the House report it does mention, of course, that if sugar allocations are going to be made, among the factors in the purchase from the various sugar producing countries are the agricultural commodities of the United States. That is one of the provisions in the report, and I assume represents congressional intent in the House at least.

Will you keep that language in mind if this legislation is approved?

Mr. JOHNSON. I am sure that the Department and the executive branch will do its best to follow out the instructions of the Congress, whatever they may be. We of course hope to avoid problems of this nature by eliminating the price premium. Once that is eliminated, of course, then the collateral aspect of bartering against sugar imports disappears.

Senator CARLSON. Of course, that is a matter of a few years, it is not going to happen this year, it is part of the scheduled program.

Mr. JOHNSON. Yes. But as far as the bulk of the imports are concerned, it would happen this year. The premium would be eliminated, that is the administration's program.

Mr. MARTIN. May I add just one comment. I am not sure that I am right, but my understanding is that this provision in the House report is not an injunction to the executive branch as to how it should deal with the matter. The House has made the allocations themselves, and this is the statement of intent when the House extends the temporary allocations of the Cuban quotas beyond 1963. There is no discretion or guidance given to us in respect of something that we could do, but rather how they propose to handle it.

Senator CARLSON. I may say it is a very weak statement in the report, and I hope to get it straightened before this leaves this body, that is what I am looking forward to.

But I shall not get into this any further this afternoon.

Thank you, very much.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Mr. Chairman, I have a few questions.

Do you intend when the present Philippine treaty expires to take away the Philippine sugar premium also? This is the thing you have got to look forward to if everybody else in the world is dealing with this other world market.

Mr. JOHNSON. I would assume, Senator, that that is a question which hasn't been answered as yet. I would assume that a lot depends upon the nature of our relations with the Philippines at that time.

Senator BENNETT. Does this period follow in the 5-year period when these other nations are being phased out?

Mr. JOHNSON. Yes, the treaty runs until 1974. So it does not fall within the period.

Senator BENNETT. It does not. But it is going to be pretty hard to say that you are going to keep the Philippines with a premium when you have deliberately taken it away from everybody else.

Mr. JOHNSON. I would think that would be correct.

Senator BENNETT. You are anxious to preserve, as I remember, the figure 2,600,000 tons to return to Cuba. Is this going to be much of an incentive if Cuba gets it back at the world price? You say that this is going to be one of the things that is going to bring Cuba back into the Western World. But if the Russians can bid the world price plus 5 percent or 10 percent, they are now dealing for bartered goods, and they can do it, if they decide they want to keep Cuba in their orbit. Haven't you given them an opportunity to overcome any value that the American market might have to them?

Mr. MARTIN. Might I answer that question, Senator?

Senator BENNETT. Yes.

Mr. MARTIN. There are two things I might say, one, Cuba, I believe, is one of the few places that, both in terms of production cost and in terms of being closest to the U.S. market, can sell profitably at the world market price to the United States. This is a natural, normal market that they can make money out of.

Secondly, no matter what price we fix for Cuba, the Soviets could so price their bartered goods as to make it look like it was a better transaction. But Cuba, I think, is probably having the experience that a good many other countries have had around the world in engaging in bartering arrangements with the Soviets: They don't get what they want, the quality tends to be inferior, and they are on the whole overpriced.

Senator BENNETT. I recognize that. But when we took the sugar price away from Cuba they had a premium. Now we say that we are going to lure them back into our area by giving them a lower quota with no premium. And I wonder just how strong an incentive this is for the Cuban people to rebel against the Russians.

Mr. MARTIN. I think it is a little over 50 percent which would be the cut the House bill makes in the Cuban quota.

Senator BENNETT. I haven't figured the mathematics, but I would imagine the House bill at 1,500,000 tons with a premium is a better incentive than 2,600,000 tons with no premium.

Mr. JOHNSON. Senator, under the administration proposal the premium on the Cuban quota would come back on if Cuba became a supplier again at that point which the staging process had reached. In other words, if Cuba came back in in the second year of the program, it would receive a price premium of 80 percent.

Senator BENNETT. But it would phase out in 5 years?

Mr. JOHNSON. That is correct, sir.

Senator BENNETT. Senator Anderson is very proud of the fact that when he was Secretary of Agriculture he was able to go to Cuba, and because we had this sugar arrangement with Cuba, he was able to persuade them to continue to sell sugar on the American market at a price which was then less than the world market, and to take care of our wartime needs.

Do you think there is any value in trying to protect ourselves against the day when there may be another wartime situation, or are we willing to cut ourselves adrift now and in time of war depend entirely on a world market—and to give you another one to worry about for a minute, when world market prices go above domestic prices? This happened during the Suez crisis, and that isn't very far back. What would you propose to do under this bill if world prices rose substantially above domestic prices?

I am sure that the payment—what is the phrase used to describe it?

Mr. JOHNSON. The fee?

Senator BENNETT. The import fee would go up. But you would leave the Secretary of Agriculture with a problem. Is he going to raise domestic prices up to the world price? If he isn't, you are going to have a lot of unhappy domestic sugar producers when you are paying 10 cents or 15 or 20 cents a pound for sugar and they are being paid 6 cents a pound.

Mr. JOHNSON. I believe I am correct, Senator, that the Secretary of Agriculture doesn't actually determine the price for sugar, it is a market price. The Secretary of Agriculture in effect controls the sup-

ply and indirectly influences very directly the price. But in the situation which you describe I would assume that the domestic price would adjust itself to the fluctuation in the imported price at the refining level, at the refiners level.

Senator BENNETT. Then what we are saying now is that if we adopt this proposal we are taking out of the whole sugar program the stability that it has had, because we went through World War II without the kind of fluctuations that existed in World War I. I am old enough to remember that in World War I sugar got up to 20 cents a pound, and the price of sugar stock went up accordingly. And when that price was changed almost overnight it broke a lot of people who had had faith in the domestic sugar industry and had brought sugar stocks above the old prewar price. This is the kind of instability that the present sugar law eliminated.

We have never had these wide fluctuations since this act was adopted in the 1930's. But we are about to create a situation which could (a) permit these wide fluctuations; and (b) could put us—face us with serious problems if we needed sugar in wartime, because we would no longer have a nearby source of sugar that was under some obligation to us and would meet that obligation as Cuba did in World War II.

Has the State Department figured all these things out and decided even in the face of these risks that we should go ahead with a world growable quota?

Mr. MARTIN. May I comment on that?

I would like to indicate that I think the Dominican Republic as well as Cuba did us this favor during World War II, to give credit where credit is due.

Senator BENNETT. I am happy to give credit. Was his name Trujillo?

Mr. MARTIN. I suspect at that time it may have been.

Secondly, it does seem to me that the whole supply-demand relation of sugar has changed in the last 15 years. Increased production, particularly of cane, has changed significantly the terms of the general world supply situation.

Thirdly, if we are to consider as an important factor in our policy a supply situation for an extensive war, one of long duration, which is a little bit questionable—

Senator BENNETT. We never think the war is going to last, we thought World War I would be over in a week or two, and in World War II we thought it wasn't really worthwhile to get our uniforms out and get them pressed.

Mr. MARTIN. There have been some technological changes since World War II in this matter. But even so it would seem to me that there are other commodities we have to worry about more than sugar.

Senator BENNETT. Lead and zinc, for instance.

I couldn't resist that.

Mr. MARTIN. Touché.

Senator BENNETT. Now, against this background one other question. How much of the total world production of sugar is free in the so-called world market?

Mr. JOHNSON. The estimates that I have seen are that about 17 million tons, which is roughly 30 percent of world production, enters international trade.

Senator BENNETT. There are a lot of people shaking their heads behind you.

Mr. JOHNSON. That is my first statement. And then I think you have to break the 17 million tons down into those quantities which move under various kinds of arrangements, the British Commonwealth, and I believe the French have preferential arrangements, which leaves, as I recall, a figure of somewhere around 10 million tons which actually moves in what you might call an international market not surrounded by preferential arrangements.

This would include today, I suppose, all of the Cuban shipments—not all, but—yes, all of the Cuban shipments.

Senator BENNETT. In the event of a war, would there be tremendous competition for this uncommitted tonnage?

Mr. JOHNSON. Well, it depends, I suppose, upon whether transportation is available to meet demand. It might prove that you would have substantial surpluses in the Western Hemisphere, for example, because of inability to ship, or factors of that kind.

Senator BENNETT. You have taken all these into consideration, and you are willing to run these risks in order to have what you consider to be a better basis for relationship with other sugar suppliers outside the United States?

Mr. JOHNSON. That is correct.

Senator BENNETT. I would hate to stand at the side of Mr. Mann in Mexico when the word gets back to Mexico that this bill has been passed. He is going to have—Senator Douglas praised him highly—no: he didn't praise him, did he, he was very critical of him because he stood for what amounted to some support for the Mexican who produces sugar. And now, as the Ambassador of Mexico, he is going to have the job of explaining to them why that support has now disappeared.

Mr. JOHNSON. Senator, I am sure that this position and this legislation, if it takes this form, would be very unpopular with a lot of countries who have supplied us or hope to supply us with premium-priced sugar.

It is our considered judgment, however, that such displeasure as is incurred in this source is less in the long run, considerably less than the problems foreign-policy-wise that we get into from this kind of proposed setup.

Senator BENNETT. We have a long list, which you are not responsible for particularly, but could you suggest a parallel list of countries in which there will be dancing in the streets when this sugar legislation is passed in this form? Haven't we pretty well covered all of the countries that might supply us with sugar in this list?

Mr. JOHNSON. But not in the quantity which they would like to supply us.

Senator BENNETT. I recognize that problem. But, even so, aren't these people all going to be unhappy if they are told that there will be no premiums, "if you supply any sugar to the United States, you are going to have to bid on it"?

So I am wondering if your judgment of the relative value, measured in terms of satisfaction or dissatisfaction, is completely sound. I think this bill might create a great amount of dissatisfaction. And

I don't know what there is in the bill that will provide an offsetting satisfaction.

Mr. MARTIN. May I just make one point?

Senator BENNETT. Yes.

Mr. MARTIN. Sitting now in what was Secretary Mann's seat, I am keenly aware of the problems that he was facing at that time. My telegrams show them, too. I think the thing that has weighed with me very considerably in this matter, apart from my previous commitment to this position, has been the feeling that the longer we put off taking an action of this kind, the more difficult it will be if and when, as I must believe, Cuba becomes free again.

Senator BENNETT. Do you anticipate any experiences of the kind I am about to describe, experiences that might be related to the experience you had with Belgium when you put a tariff on glass? They are going to say to you, "Well, you have taken our sugar premium away, now what are you going to give us in terms of other economic benefits to make up for this, in terms of either increased purchases from us, or lowered tariffs on something else we might sell?" Have you anticipated that kind of reaction?

Mr. MARTIN. I expect we will get it; yes.

Senator BENNETT. And you are prepared to take it?

Mr. MARTIN. Yes.

Mr. JOHNSON. I might mention, there is a significant difference in this situation than the situation as to Belgian glass.

Senator BENNETT. I recognize that.

That is all.

Senator CARLSON (now presiding). Senator Curtis.

Senator CURTIS. No questions.

Senator CARLSON. Senator Morton.

Senator MORTON. You have got me torn between two sides, the old school tie and being a member of the committee.

I would like comment on your questioning, Senator Carlson.

First, you talk about the negotiation developing at the embassy level in these various countries. I think that most of these quotas came in through action taken in the House of Representatives. Now, Senator Bennett has talked about Mexico. I know how Mexico got in the act in the first place, it had nothing to do with the State Department, I was managing the bill at that time. It was over the objections of the State Department and the strenuous objection of the then Secretary for Latin American Affairs, Mr. Holland, that Mexico got in the act. Mexico couldn't show need, because of the tourist trade, and so forth.

Mr. MARTIN. I think most of them come in through the House.

Senator BENNETT. We did Mexico in the Senate.

Senator MORTON. No; you didn't. It was done in the House. I know all about how it was done.

Senator BENNETT. My memory is that it was done on the floor of the Senate, after it came out of the committee.

Senator MORTON. After it came out of committee to conform with something that had already been done in the House. I think you will find that that is right, because I was right in the middle of that.

Once the Congress starts throwing these quotas around each Assistant Secretary of State fights for his area. The Republic of China, Formosa got in the act through the aggressive advocacy of Walter Robertson.

I agree thoroughly with the position that has been taken here by the officers of the State Department, whether they are Foreign Service or not.

And I wish Senator Douglas were still here.

But I think we are getting ourselves in an absolutely hopeless bind on this thing, and the sooner we get ourselves out of it the better. And I think it is imperative that we in the Senate stand firm, and I hope the Senate will stand together on the view that we must maintain a sugar base for Cuba because of our hope that Cuba will throw off the Communist yoke and we will be in a position to reestablish relations, and at that time we have an obligation to the economy of Cuba to restore the old economic ties and our old exports to Cuba. And that means importing. And at this time except for cigars, sugar is about the most critical item in the Cuban economy.

Senator CARLSON. Any further questions?

(No response.)

Senator CARLSON. We thank you, gentlemen.

The next witness is Mr. John Leddy, Assistant Secretary of the Treasury.

You may proceed, Mr. Leddy.

STATEMENT OF JOHN M. LEDDY, ASSISTANT SECRETARY OF THE TREASURY

Mr. LEDDY. I am very happy to have this opportunity to testify before this committee on the balance-of-payments aspects of pending sugar legislation. The bill supported by the administration (S. 3290) provides for the imposition of an import fee on sugar imported into the United States from foreign countries other than the Philippines.

In brief, the import fee represents approximately the amount by which our domestic sugar price exceeds the world market price for sugar. It would apply immediately to the amount of the entire Cuban quota—which amount would, under present circumstances, be distributed among various countries other than Cuba—and would apply in annual stages of 20, 40, 60, 80, and, finally, 100 percent, to the basic quotas of other supplier countries. The proceeds of this fee would accrue to the United States, and would correspondingly reduce the dollar outpayments to foreign countries. The bill passed by the House yesterday (H.R. 12154) contemplates the continuation of the quota premium on imports of sugar, and makes no provision for the recovery by the United States of this premium through an import fee such as that recommended by the administration.

As the members of the committee are aware, President Kennedy has launched a comprehensive program to improve our balance-of-payments situation and to stem the outflow of gold from this country. This program includes, among other measures, a major drive to increase our commercial exports of goods and services; measures to

reduce or offset our large military expenditures abroad; and the reorientation of our foreign economic aid program so that a much larger proportion of aid will be provided in the form of American goods and services and a much smaller proportion in the form of straight dollar transfers. In addition, as the committee knows, the administration believes that the foreign income provisions of our tax laws should be changed to remove the special incentive to invest long-term capital in other industrialized countries rather than in the United States.

The sugar legislation supported by the administration would contribute directly to our balance of payments objectives by imposing the fees I have just described, which would reduce outpayments for sugar in our trade accounts. The balance of payments savings of \$130 to \$160 million which could be realized through the import fee would be a significant benefit. It is essential that we adopt all practicable measures to solve our balance-of-payments problem and strengthen the international monetary system which is centered on the dollar. I accordingly urge that this committee accept the proposals of the administration for sugar legislation which would provide for the application of import fees.

I would also like to point out that the imposition of a sugar import fee would produce additional budgetary receipts in fiscal 1963. The proceeds of the fee would be covered into the miscellaneous receipts of the Treasury and such amounts would correspondingly ease the financing problem faced by the Treasury.

In summary, the import fees proposed by the administration would both benefit our balance of payments and increase Treasury receipts. For these reasons the Treasury Department strongly urges the adoption of the fee system as provided for in the sugar legislation supported by the administration.

Senator CARLSON. Mr. Leddy, we certainly appreciate your statement. And I can assure you that this committee, as you well know, is concerned along with the Treasury about the balance of payments, and we could get into a rather lengthy and I think healthy, discussion of it.

I notice you put in one paragraph that would really stir discussion; that—

The administration believes that the foreign import of our tax laws should be changed to remove the special incentive in other industrialized countries rather than in the United States.

We have been hearing testimony on that for a few days. Personally, I shall not get into it.

Senator Bennett, do you have any questions?

Senator BENNETT. No. I guess the State Department is now on overtime, and we mustn't run the cost of Government up any more. I have no questions.

The CHAIRMAN (again presiding). Senator Curtis.

Senator CURTIS. As I understand it, the interest of the Treasury Department in the sugar legislation is centered on the import fees.

Mr. LEDDY. That is right.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Morton.

Senator MORTON. Again you put me in a spot. I have been up here for 4 weeks "hollering" about this tax on foreign subsidies, and I am trying to be helpful, and here we have got another alumnus of the State Department testifying.

And I am trying to be for you, and you deliberately put a sentence in this statement that doesn't belong in it.

You aren't doing this to irritate me, are you, John?

Mr. LEDDY. No.

Senator MORTON. It is late, and I won't take any exception to it.

The CHAIRMAN. Thank you very much.

We will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 5:10 p.m., the hearing adjourned, to reconvene at 10 a.m. on Thursday, June 21, 1962.)

SUGAR ACT AMENDMENTS OF 1962

THURSDAY, JUNE 21, 1962

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

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

Present: Senators Byrd (chairman), Kerr, Long, Smathers, Douglas, Gore, Talmadge, McCarthy, Williams, Carlton, Bennett, Curtis, and Morton.

Also present: Senator Ellender of Louisiana.

Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The meeting will come to order.

The Chair takes pleasure in placing in the record a letter from the Honorable Carl Hayden, senior Senator from Arizona, transmitting for the record a statement by Mr. Floyd N. Smith, chairman of the Governor's committee, State of Arizona. The committee will certainly give full consideration to the recommendations of Senator Hayden and Mr. Smith.

(The letter from Senator Carl Hayden and the statement from Mr. Floyd N. Smith follow:)

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
June 20, 1962.

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

DEAR SENATOR BYRD: I am writing to you in regard to H.R. 12154, the sugar bill of 1962, which has just been passed by the House of Representatives and provides for some expansion of domestic sugarbeet production. I favor the provisions in the proposed legislation which will extend to domestic sugar producers an opportunity for a larger share in the production of our domestic sugar requirements.

For a number of years agricultural leaders and producers in my State have been interested in getting into the production of sugarbeets but have been precluded therefrom due to the acreage and other restrictions. The ability to produce sugarbeets in Arizona is, I believe, amply demonstrated by the fact that it now produces one-half of the supply of sugarbeet seed for the United States. In addition, investigations conducted by the agricultural experiment station have clearly indicated the productive ability of various areas within the State to produce sugarbeets. I am sure this same ability to produce is present in the adjacent States in the Southwest.

Enclosed is a statement from Mr. Floyd N. Smith, Phoenix, Ariz., chairman of the Governor's committee for the State of Arizona. Mr. Smith is unable to appear before your committee, but his statement demonstrates the potential ability for sugarbeet production in Arizona, if it is allocated sufficient acreage under the new areas proviso in the pending legislation to support a sugarbeet factory.

I will appreciate it if you will include Mr. Smith's statement in the record of hearings.

I am concerned with regard to the amount of acreage which can be allocated to new areas in the Southwest under the proposed legislation. It occurs to me that the bill could be improved by inclusion of a much larger share of the new sugarbeet acreage to new producing areas in Arizona and the Southwest. As I understand it, H.R. 12154 provides for an expansion of 540,000 net tons of sugar to be produced from sugarbeets, of which only 50,000 tons are reserved for distribution to new areas. It is suggested that the bill be amended to include a more realistic figure such as 125,000 tons to be reserved for allocation to new areas in lieu of the figure carried in the House bill which is only a token increase when spread throughout the United States.

With kind personal regards, I am,

Yours very sincerely,

CARL HAYDEN.

STATEMENT OF FLOYD N. SMITH, CHAIRMAN OF THE GOVERNOR'S COMMITTEE, STATE OF ARIZONA

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 sugarbeet 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.

Sugarbeets thrive in Arizona. This fact is clearly demonstrated by the high yields of sugarbeet seed produced each year by Arizona farmers. We again grew more than half of the sugarbeet seed supply for the United States in 1961 and with an average acre yield of 3,257 pounds. Such production is possible only because the sugarbeet is well adapted to Arizona and our farmers know how to grow the crop.

The Arizona Agricultural Experiment Station has conducted research with sugarbeet production since 1948.

The results of sugarbeet production tests conducted in 1961 confirmed and extended earlier work on this crop. There is every reason to believe that the sugarbeet is naturally adapted to Arizona as a sugar crop. Consistently high yields of beets with a good sugar content indicate that this crop would be a profitable one for both the farmer and processor.

Sugarbeet experiments were conducted at the Mesa, Safford, and Yuma branch stations during 1960-61. These stations are located in three of the major farming areas of southern Arizona and represent a range in altitude from near sea level at Yuma to 2,900 feet at Safford.

Arizona's irrigated valley cannot compete with the rainfall 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 farming in Arizona has become more and more difficult during the last several years. A substantial sugarbeet 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.

Arizona has 1,260,000 acres of the finest farmland in the country. Six hundred and forty thousand of these acres are irrigated by gravity flow waters. 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 sugarbeets.

A sugar mill in Arizona, centrally located, would have an added advantage over mills located in other States. Due to the climatic conditions in the State, the various producing areas would harvest their sugarbeets at different times, therefore giving the mill a longer annual campaign.

In response to a recent questionnaire, 364 Arizona farmers have indicated a desire to plant 69,872 acres of sugarbeets. Incidentally, any one of three counties included in this acreage could supply a 4,000-ton-per-day slicing capacity 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. It is among the most important and vitally needed commodities in our country.

Not only the American farmer, but the American public as well, feels that our domestic producers should have at least an equal right to expand and grow in this important commodity. Strange as it may seem, many people throughout this country believe in the proposition that the American investor on American soil should have the same advantage and protection under the Sugar Act that an American or foreign investor on foreign soil should have, and that he should have the same right to expand home industry and home growth, particularly when the consumption is domestic.

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 sugar industry. We do not desire to interfere or hinder the efforts of others in 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.

To continue to hold our own farmers down to a point of only producing about 20 percent of our sugar requirements seems grossly unfair in the face of the economic cost-price squeeze that is the farmers' lot in raising crops far less lucrative than sugarbeets. To restrict the American farmer from raising crops that are not in surplus does not seem to fall into the category of good judgment. We have only to pick up the newspapers to read of the farmers' economic plight and in the adjoining column read of another allotment of sugar quota to some foreign country. Is it, therefore, not difficult to understand why the potential new grower of sugarbeets is crying out "unjust," "unsound," when he knows he could make a good profit if allowed to grow a few acres of sugarbeets yearly?

Additional factories must be built if the American farmer is to receive his just share of the sugar allotment. The processor industry is reluctant to spend \$12 to \$15 million to build a factory unless it is assured of the passage by Congress of a permanent Sugar Act, or one of not less than 5 years duration, containing language which would allow them to obtain and hold sugarbeet sales quotas and acreage allotments sufficient to guarantee full operation of the newly built factory.

It has been the thinking of this Government that American citizens investing capital in foreign countries, instead of in America, have done so at their financial risk insofar as the governments of foreign countries are concerned. Frequently these investments become subject to confiscation by foreign countries, and oftentimes fall into the hands of unfriendly governments.

Who is to forecast when another unfriendly communistic nation may appear on the scene and lead the people of a foreign country into a doctrine completely opposed to our American way of life? The American farmer should not be required to pay to investors in foreign countries the losses they suffer in an assumed-risk foreign investment. The American farmer should not be penalized by the denial of the right to produce a greater amount of our domestic sugar consumption, and we should not appease any foreign government at the expense of our own domestic economy.

Farmers at home often ask me if this Congress will not pass legislation enabling them to grow sugarbeets, rather than to continue to let some foreign country produce the sugar we consume. They ask, "Will the Congress favor Americans in America, or will it favor a few with some foreign investments?"

The CHAIRMAN. The first witness today is Mr. Frank A. Kemp, domestic sugar producers and refiners.

Mr. Kemp, will you take a seat, sir, and proceed.

STATEMENT OF FRANK A. KEMP ON BEHALF OF DOMESTIC SUGAR PRODUCERS AND REFINERS

Mr. KEMP. Chairman Byrd and members of the committee, by name is Frank A. Kemp. My hope is in Denver. I have been an officer and employee of the beet sugar industry for nearly 40 years, and for more than 25 years have been president of the Great Western Sugar Co., one of the beet sugar processors.

I appear here today, however, not for my company or the beet sugar industry alone. I have the honor of appearing as a single witness before this committee at the request, and on behalf of all five of the domestic sugar producing and refining groups of the United States:

(1) The sugarbeet growers and processors in 22 States from Michigan and Ohio to the Pacific coast, who together comprise the U.S. sugarbeet industry;

(2) The sugarcane growers and processors of Louisiana and Florida;

(3) The Hawaiian Sugar Planters' Association;

(4) The Association of Sugar Producers of Puerto Rico;

(5) The United States Cane Sugar Refiners' Association, comprising practically all of the refiners of cane sugar in this country with refineries in 10 States, principally in coastal States from Massachusetts to Texas and California.

My appearance as a single witness for all the groups I have named is intended to save the time of this committee and as a further effort in that direction, my statement will be short.

I have appeared before your committee in connection with sugar legislative proposals then being considered on three previous occasions—in 1947, 1951, and 1956.

I think that even the members of this committee may not appreciate how often and how thoroughly this committee has considered sugar legislation and the sugar system of the United States in the past quarter of a century.

Commencing in 1934, sugar law has been before this committee on 11 separate occasions, on 5 of which there was extensive and unlimited presentation of every conceivable view. As everyone knows, this committee is an extremely expert and informed body on the subject of sugar, thoroughly conversant with the many phases of a very complex subject.

On the consideration by the Senate of an earlier sugar act, some years ago, the then chairman of this committee presented the bill in language that has a very familiar sound.

Senator Millikin said then:

For a time it appeared that a simple extension would be the most that could be hoped for, this because of the apparent inability of the interested parties to get together.

Those of us in the Congress especially interested counseled the representatives of the producers and processors that more than a simple, short extension could not be had unless a wide area of agreement could be achieved. In reaching an agreement among the numerous interests involved, there had to be reconciliation of many points of conflict. The mainland cane and beet sugar producers and processors were not in agreement. There was appearance of some division of opinion between the agencies of the Government which are interested.

The next sentence is particularly pertinent here today, and I wish that Senator Anderson was present, and I resume Senator Millikin's quotation.

Secretary of Agriculture Anderson took an active interest in helping to put this bill together. The accords which were reached came somewhat as a surprise to many of us. There was not a single interest that received everything it wanted. Every interest had to sacrifice a part of its ambition. (Congressional Record, vol. 93, No. 144, p. 10411.)

The then chairman of this committee went on to quote again from Secretary Anderson in his appearance before the House Committee

in support of a sugar law and pointed out his repeated conferences with the Department of the Interior, the Bureau of the Budget, the State Department, and other branches of the administration :

The bill before us—

said Senator Millikin—

represents the results of all those negotiations, adjustments, and conciliations.

Fifteen years later, we appear again before this committee to report that for nearly 2 years, the various segments of the producing and refining industries, guided by the counsel of Members of the Congress, sought to reach an agreement as to the terms of an extension of the act which, as you know, expires within less than 10 days.

Finally, after a mutuality of sacrifice, the industry reached such an agreement in January of this year.

Again acting on the advice of Members of the Congress and the administration, the industry presented its views on an extension of sugar legislation to Government agencies and for more than 3 months counseled and consulted with representatives of the Departments of Agriculture, State, and Treasury, the Budget Bureau, the President's Council of Economic Advisers, and the White House staff.

Finally, in May of this year, the industry agreed with the administrative agencies on what I shall call the domestic provisions, that is, those provisions directly affecting domestic interests of an extension of the Sugar Act.

The principles of that agreement on the domestic side were first reflected in S. 3290 and also in House bill 12154, which has just come over to this committee, in which certain of the provisions concerning the domestic interests were amended to conform to need shown in the consideration given the bill in the House of Representatives.

The entire domestic industry is in agreement as to the provisions of H.R. 12154 affecting the domestic industry. Each of the five American producing and refining groups has instructed me to express to you their joint and separate endorsement and approval of the sections of the House bill dealing with the domestic side of the sugar program.

The domestic industry, in large part because of advice from Members of the Congress and the administration, has not taken any position with respect to the foreign aspects of this legislation. We believe that those problems can and should be decided by the Congress.

The shares of the American market allotted to the mainland cane and sugarbeet areas through their basic quotas have been increased, but these increases have been offset to a material extent by surrender of the right in existing law for the domestic areas to share in and to receive deficits of other domestic areas.

When it is understood that these deficit additions are no longer to be allotted the domestic groups, the size of the increase in basic quotas is substantially minimized.

Existing law gave to the domestic areas 55 percent of the increase in sugar consumption. The agreement and the new bill increases this to 63 percent. This new figure would add over existing law approximately 12,000 tons of sugar per year, which would be divided between the beet and cane industries on the ratio of 3 to 1.

As has been explained by earlier witnesses, no effective change has been made in the market shares of Hawaii and Puerto Rico, who are

presently suffering from some decrease in their old levels of production. Nevertheless, both of such areas are accorded the right to return to their former quotas if and when their production reaches oldtime figures.

One of the difficult competitions that had to be resolved concerned the desire of a number of new areas to have the right to enter the beet sugar business and to accommodate this within the total quota of the industry which was agreed to by the administration.

This presented some conflict between old growers in the industry and those in new areas. It was resolved by providing specifically that acreage sufficient to produce up to 50,000 tons of sugar per year should be subtracted from the national total beet acreage in any year when restrictions were applied and should be given by the Department of Agriculture, if needed, to new areas.

Time and again representatives of new areas made clear that they did not ask the old growers to take a reduction in acreage to accommodate new claimants.

In thus providing that the big share of the growth of the market allotted the beet industry should be set aside for new areas, the latter have received all that I think could be done in the framework of the total domestic share of our market.

Yesterday, both Senators Kerr and Anderson indicated that they wanted the new bill to make clear that a guarantee of acreage necessary to support a new plant could be extended to assure factory construction when the time came. We think it may be difficult to work out such a provision but if it can be done without violence to the basic understanding, I believe that it would be acceptable to all of the beet interests, although until the language can be studied this cannot be stated with absolute certainty.

It is not easy, it has never been easy, to reconcile all competitions that exist in the sugar business. There is a difference of opinion as to the amount of sugar we should produce domestically and the amount we should import. There is a basic competition between the refiners of raw sugar and the beet sugar industry which produces a direct consumption sugar. There are other competitions and differences almost too numerous to mention within the time I should take before this committee. They can be answered by members of the committee.

Finally, I should like to say most earnestly that the U.S. sugar system has been sound and has been successful. It has accorded full recognition to the rights and interests of consumers which have been fostered and protected throughout the history of sugar legislation in this country and should be fostered and protected in any revision of them.

The consumer has benefited through the stabilization of supply, through availability of ample supplies, and through the maintenance of price levels that the FAO has established are about average of prices in the sugar-consuming nations of the world and which represent a smaller contribution of working time for the purchase of a pound of sugar by the average workman than in any other country on earth.

H.R. 12154 runs until December 31, 1966. I present to this committee as earnestly as I can, the need of the industry that some long-

term pattern be established for the operation of the sugar properties supplying our needs.

For some time now, we have been operating on relatively short extensions and no one has known what the rules of the game would be for more than the immediate future.

Millions of dollars worth of plant betterment, of property and equipment renewals, of farm and plantation improvements have hung fire for months, in fact years, because of uncertainty as to the sugar legislative prospect for a reasonable future period.

On behalf of all the domestic sugar interests, I earnestly hope that you may act so that a new law covering the period proposed will be enacted prior to June 30.

We place our case in your hands.

The CHAIRMAN. Mr. Kemp, thank you.

Mr. Kemp, I want to ask this question.

Have you read the bill introduced by Senator Ellender for himself and 26 other Senators?

Mr. KEMP. Yes, sir.

The CHAIRMAN. What is your opinion of that bill?

Mr. KEMP. I think, sir, that in the consideration given to the domestic provisions of the bill, and it is to those only that I address myself, certain relatively minor amendments considered by the House have improved that bill somewhat in respect to the domestic provisions.

The CHAIRMAN. But the House-passed bill is quite different from the bill introduced by these Senators over here.

Mr. KEMP. Principally, sir, in its relation to the foreign aspects of the bill, the quotas of foreign countries, and what and how they should be handled.

The CHAIRMAN. Which bill would you prefer as a base to work on, the House-passed bill or S. 3290 introduced in the Senate?

Mr. KEMP. So far as the domestic provisions are concerned I see relatively little difference but I think the House bill has made some improvement.

The CHAIRMAN. You think it has made improvements by giving these quotas to countries all over the world.

Mr. KEMP. No, sir, because those are the foreign aspects to which I do not address myself.

The CHAIRMAN. I understand it is. Did you say it is an improvement in the domestic field?

Mr. KEMP. I think slight improvements in the domestic field. And I hope very much that Senator Ellender can, before this committee, express his very profound knowledge of this sugar problem.

The CHAIRMAN. We shall have Senator Ellender testify tomorrow. The committee has great confidence in his judgment of all matters relating to agriculture.

Mr. KEMP. Sure they do.

The CHAIRMAN. Thank you very much; any questions?

Senator CARLSON. Mr. Kemp, I noticed in your statement you represent the domestic industry as to the provisions of the House-passed bill.

Does that mean you are opposed to increase in acreage production should this committee ask for additional acreage?

Mr. KEMP. Senator Carlson, we, over a 6-months period, consulted and negotiated with nearly everybody in the Government. We first advanced the premise that the domestic industry should receive a somewhat larger share than was finally agreed to by the administration but we accepted that.

We are committed to that and we have agreed to endorse and approach it, which I do here today.

Senator CARLSON. Mr. Kemp, you are operating and processing, refining sugar in Colorado, as I understand it.

Mr. KEMP. Buying beets in Kansas, too.

Senator CARLSON. That is correct.

That is the reason I bring up this point. You are familiar with our problem. As our beets are processed in Colorado—

Mr. KEMP. Right.

Senator CARLSON (continuing). We have this freight haul and I think you would agree with me we have an area that can produce beets and does produce them and, of course, we would like very much to be given some consideration for an acreage that would permit a refinery in Kansas or in that area somewhere closer than some of your refineries.

I don't want you to misunderstand. We appreciate what you are doing for our sugarbeet growers now, but looking to the future, and this program is a 4½- or 5-year program, I am fearful myself if we do not take some action in this bill we will be limited pretty much to the area we have now.

Isn't it a fact that your refineries are producing to capacity?

Mr. KEMP. Senator Carlson, before me there are three members of this committee—Senator Kerr, yourself, Senator Curtis—who want to get the beet industry started in your respective States, processing in your respective States, and I have had delegations from all three States wait upon me in the hope that we might be persuaded to undertake construction.

I would like to see this industry maintain a healthy growth, because I believe that if it cannot maintain a healthy growth it must necessarily slide backward.

I believe that the provisions of this bill are sufficiently better than the bill under which we are operating so that we can look forward to some improvement, some enlargement in size, and I think that the size of the industry as established here has, by virtue of concessions on the part of the old growers, and willingness on the part of the new growers, made possible a rather substantial enlargement of the industry into areas where it is not now located.

Senator CARLSON. Well, Mr. Kemp, you are operating some very fine refineries in Colorado and if the time ever comes when we could get one in Kansas we would be greatly pleased if you would put one in for us.

Mr. KEMP. Thank you, sir.

Senator CARLSON. That is all.

Mr. KEMP. I think Senator Curtis might like to share the other half because in south-central Nebraska and north-central Kansas there is an irrigated area with some of the finest soil on earth.

Senator CARLSON. That is right.

Mr. KEMP. And yet I will say this frankly to you, as is also true of the Oklahoma Panhandle, one of the problems of building new beet factories is whether at present costs and present sugar prices you can earn enough on them to make them pay, and that is the big problem.

Senator CARLSON. That is all, Mr. Chairman.

Mr. KEMP. Rather than the size of the quotas.

The CHAIRMAN. Senator Kerr?

Senator KERR. You wouldn't want to be interpreted as taking the position that you want to keep the refining capacity either at its present level or to an expansion of it in its present location, would you, Mr. Kemp?

Mr. KEMP. No, I would not. On the contrary, I would immediately deny that as my objective or the objective of the industry.

Actually, as Senator Carlson has indicated, we have about reached the limit of capacity of our existing plants, and if we are going to do very much more, if we are going to keep up with the pace, it has got to be new building.

Senator KERR. If we are going to expand the domestic economy we are going to have to increase the capacity of those commodities or for the handling of those commodities for which there is increased demand, aren't we?

Mr. KEMP. I think so, sir, and we have heard a lot of talk about the balance of payments.

I think I might say one of the ways to act against the obvious difficulties that confront us is to produce some things we import in greater quantities than we do now.

On the other hand, Senator Kerr, the total domestic production of the United States is the second largest sugar output of any country in the world.

Mr. KERR. Who is the largest consumer in the world?

Mr. KEMP. We are, by long odds, and we are the second largest producer. Russia alone is ahead of us.

Senator KERR. There are three elements and I would like to ask you your opinion of them individually and collectively: No. 1, is expand the domestic industry in order to assist us in the matter of restoring a favorable balance of payments.

No. 2, increased domestic consumption to give American farmers who are being constantly restricted in the production of other commodities an opportunity to take land and put it into the growth of beets.

No. 3, to expand the refining capacity to expand our industrial economy, and I don't know of any other opportunity that I think is as attractive and as immediately present with us to do these three things as there is in this situation with reference to the production and the refining of additional sugar domestic production and domestic industrial refining.

Do you agree with those three?

Mr. KEMP. Senator Kerr, I am persuaded we should have had you as one of our negotiators with the administration.

Senator KERR. Are you telling us you agreed with the administration because you had no other choice?

Mr. KEMP. That is kind of a hard question to answer.

Senator KERR. Don't answer it.

You don't even have to take the fifth amendment to avoid answering it. [Laughter.]

If you just kind of intimated that the answer was the result of the attitude of others rather than your own judgment and desire, your message will be conveyed.

Mr. KEMP. Well, I think I can say this: That most of the new areas were somewhat disappointed that we agreed to accept the enlargement of the industry's share of this market that we did. On the other hand—

Senator KERR. You mean the limited enlargement?

Mr. KEMP. Yes, it is a limited enlargement. Of course, any enlargement—

Senator KERR. It is just so limited that it is difficult to find, isn't it?

Mr. KEMP. No, honestly now, and I am a beet man and while I am speaking for other areas, I can't forget that I owe my living and everything else to this beet industry. We have a better bill here; the beet industry's interest and share in this market, has been substantially improved.

We have now for the first time a definitely larger basic quota, which we can count on, and plan on, and make our plans accordingly. Before, we had to depend in very considerable extent upon somebody else not producing his quota, and we never found that out until August. We couldn't plan on it.

This is a better bill. It will permit the present industry to maintain its attained growth, and it will allow for the introduction into it of new areas like your own.

Senator KERR. Let me go back to my question again.

Do you know of another opportunity that is available to us that, No. 1, will improve our balance-of-payments situation?

No. 2, give our farmers and more farmers the opportunity to produce something for which there is a market, to be of help to them in the light of their being restricted in the production of other commodities.

No. 3, an expansion of our industrial capacity to handle that increased agricultural production.

Do you know of another opportunity available to this economy that has those three things inherent in it to the extent that this opportunity has?

Mr. KEMP. Sir, I cannot say because I cannot recall one at the moment. This is true.

Senator KERR. Well now, there is a fellow who said here 2 or 3 or 4 years ago that he couldn't remember when a certain man had participated in a decision, but if we would give him, if they would give him a week he would try to think of one.

You are not trying to pull that, are you? [Laughter.]

Mr. KEMP. No; I am not. I would like to say this, sir—

Senator KERR. I will ask the question in this way: Don't you think this is an excellent opportunity to do those three things?

Mr. KEMP. This is a nonsurplus industry.

Senator KERR. Mr. Kemp, I withdraw the question. I know the answer to it, and I think you do, and I don't understand why you are unwilling to answer it.

Mr. KEMP. Well, in part, sir, it is because I am here in a representative capacity representing other people besides the industry of which I am directly a part.

Senator KERR. That doesn't make a eunuch out of you.

Mr. KEMP. That may have happened on some of my previous appearances.

Senator GORE. Will the Senator from Oklahoma yield for one question?

Senator KERR. I am through. But I will yield for a question of my distinguished colleague, if he wants to ask one.

Senator GORE. I will follow along.

Senator KERR. I am through.

The CHAIRMAN. Any questions Senator Carlson? Senator Gore? Senator Smathers?

Senator SMATHERS. I haven't been here. I will only ask one question, but I don't want it charged to my turn if the Senator from Tennessee will yield for one question.

Mr. Kemp, I understand you testified before the House committee.

Mr. KEMP. Yes, sir.

Senator SMATHERS. Is the testimony you give today consistent with the testimony given before the House committee?

Mr. KEMP. The important part of what I said here, Senator Smathers, is that we reached an agreement after long travail, we have accepted it, and we present it to you with our hopes that it may be enacted into legislation.

That was the burden of what I said over there.

Senator SMATHERS. So then, your answer, like the Senator from Oklahoma, your answer is that what you are saying now is consistent with what you said before the House.

Mr. KEMP. That is correct.

Senator KERR. And with what you agreed with the administration you would say before you came here.

Mr. KEMP. Yes, sir.

Senator SMATHERS. That is his question, that is not mine.

I thank the Senator from Tennessee.

The CHAIRMAN. Senator Gore?

Senator GORE. Well, you said you were testifying in behalf of a group of people. Just as an American citizen, and purely as an individual, what, in your personal opinion, would be the effect on the domestic industry of the global quota.

Mr. KEMP. Senator Gore, as I have said here, I am speaking in a representative capacity. The people for whom I speak are not entirely harmonious. They represent different interests and to some extent they are both competitive and antagonistic; that they can voice their belief through the mouth of a single witness is something in the nature of a miracle. They have not taken a position, on the advice of Members of both the Congress and the Government, on the foreign provisions of the bill, and speaking here as a representative I am not in position to speak my own personal views.

I am bound by my representative capacity, and I hope you won't force me to do so.

Senator GORE. Well, I have neither the power nor the desire to force you.

Mr. KEMP. Thank you very much, sir.

Senator GORE. I gather, at least I have come to the conclusion, from your answer that your personal views might not be commensurate with the views of some of the organizations which you represent. You do not have to confirm that.

Mr. KEMP. Sir, I will let you draw your own conclusions. Thank you.

Senator GORE. You have neither the power nor the desire to deny me that.

Mr. KEMP. That is right, sir. Certainly not the desire.

Senator GORE. I would like to ask one other question.

If we greatly increase the domestic production, is that going to make sugar for the housewife more or less expensive?

Mr. KEMP. I don't believe that the housewife would pay any more for sugar. But I would like to say this, Senator Gore, because I have some feeling that I would like to preserve the integrity of my own thinking about the industry.

We have always had the problem of how much sugar to produce at home and how much to import, and I don't need to tell any member of this committee that it is a good thing for us to import some sugar in order that the people who sell it to us can buy from us.

For the 30 years that I have been in this business, there has been discussion as to how much we should produce and what it was in the interests of the country to import.

I think we should import some sugar, and I think the size of this quota, extending as it does for the next 4½ years, will fairly permit the domestic industry to find itself on a somewhat higher level of production. And when we get to the end of this bill, and we have been running at 4-year intervals, we can take another look at it to see whether the circumstances at that time counsel us to increase further our own domestic production or whether they counsel us to stay about where we are.

Senator GORE. But it is your view that the housewife will pay about the same for sugar whether it is produced domestically or imported?

Mr. KEMP. I do, sir, because I think the price of sugar in this country is a fair price.

Senator GORE. Well—

Mr. KEMP. And it can be maintained at a fair price.

Senator GORE. The subsidy to domestic producers is rather high; isn't it?

Mr. KEMP. In the first place, of course, I don't think the word "subsidy" has been fairly used.

Senator GORE. What would you call it, the payment, the tribute, the supplement, the bonus, what word would you use?

Mr. KEMP. Well, let me say this: The only comparison that has been made is to take the price of sugar in this country and compare it with the world price of sugar.

Now, the world price of sugar is not a free price, sir. The buyer and the seller in that market do not stand on an equal platform of opportunity. It is a dumping market, handling only about 10 percent of the sugar produced in the world, and I do not quote from any U.S. authority. I go across the water to quote from the English, to quote from others. There isn't a pound of sugar being sold in the world

market that isn't being sold at less than the costs to produce. I don't think that price should be used as a criterion. I would rather take what I have said, namely, that the FAO which is a disinterested body studying sugar prices throughout the world, has said that the price in the United States is about the average of sugar prices over the world.

Senator GORE. You didn't give me a synonym for subsidy.

Mr. KEMP. As it was used yesterday—just a minute, let me see—

Senator GORE. With what word would you describe this bounty, this payment, this supplement, this support price.

Mr. KEMP. I think it can be accurately referred to as it was referred to yesterday as the difference between the price of sugar prevailing in America and the price of sugar prevailing on the world market, and that does not necessarily mean that it is a subsidy, because the world price—

Senator GORE. What word would you use? That is what I am trying to determine.

Mr. KEMP. Well, if it is understood you could use price premium, the premium of one price over the other.

Senator GORE. Then this is a payment from the Government of the United States to the domestic producers.

Mr. KEMP. No, sir; the price that prevails in this country is made possible by the fact that we have a quota system.

Senator GORE. I understand.

Mr. KEMP. That it—

Senator GORE. Not paid by the taxpayer directly to the farmer, but by the consumers.

Mr. KEMP. Yes, but there are two phases to the price that the producer gets here:

One, is the price that prevails in the marketplace;

Two, the other is this tax and payment plan which returns to the beet producer a certain part of the price plus some little increment.

Senator GORE. Have the people or the organizations which you represent taken a position with respect to the farm bill that passed the Senate and is now pending in the House?

Mr. KEMP. No; because we have been so accustomed to regulation that we merely observe that it looks like production limitation is going to catch up with some other people.

We have had a real effective control of production in the sugar field.

Senator GORE. Do the farmers you represent like to have controlled production and price support?

Mr. KEMP. No; nobody likes controls, sir, I am sure.

Senator GORE. Are you advocating that all controls be taken off?

Mr. KEMP. No, because I don't know what we would do without regulation of an industry that is so competitive over the whole world.

Senator GORE. Then you favor regulation?

Mr. KEMP. I do.

Senator GORE. Did it ever strike you as rather strange—I won't speak of my colleagues in the Senate—that certain Members of the other House who are very much opposed to this regulation of production contained in the farm bill are very strong supporters of regulation in the sugar industry?

Mr. KEMP. No; I don't think I ever gave that particular subject any thought. I don't think I could answer it anyway.

Senator GORE. All right, I will not prod you into it.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Yesterday afternoon, Mr. Chairman, there were some questions raised about the validity of this statement that from 625,000 to 650,000 tons had been added to the mainland beet and cane quotas, and I pointed out and tried to get some figures and couldn't, that part of this was replacement of deficit, but overnight I have developed these figures, and I should like to offer for the record a brief explanation of the figures, and a table showing how, between the years 1957 and 1962 these deficits had been added to the allocations to the beet industry.

I have no questions of the witness. I ask that this explanation and table be included in the record.

The CHAIRMAN. Without objection your material will be inserted in the record.

(The explanation and table referred to follow:)

There were several references in the testimony yesterday to the increase in the beet sugar quota and the mainland cane provided by the bill. I believe the figure most often used is about 625,000 to 650,000.

The House report used a figure like this, and so did the letter from the administration to the Vice President, transmitting the administration bill to the Senate.

Now, as I understand it, the true increase in the domestic beet and mainland cane quotas is actually less than 400,000 tons—and only 250,000 tons of this accrues to the domestic beet area.

The reason is that the figures usually quoted fail to take into account the deficit allocations, which are an important part of the picture.

The present law provides that when any domestic area fails to meet its quota, the shortfall or "deficit" is allocated to other domestic areas. Neither Puerto Rico nor Hawaii, in recent years, has been able to fill its quota and neither will be able to do so this year, and so both the domestic beet and mainland cane areas would, under the present law, receive additions to their quotas this year. These allocations would raise the domestic beet quota to within 250,000 tons of the new quota provided by this bill, and would raise the mainland cane quota to within 145,000 tons of the proposed new quota.

So the total difference for these two areas between the present law is really only 395,000 tons and not 625,000 tons.

Under the bill as we know, domestic areas will no longer receive any deficit allocations.

I have a table here which I have had worked up, showing the real differences between the present law and the bill—for mainland cane and domestic beet—for the whole term of this bill.

With your permission, Mr. Chairman, I would like to have this inserted in the record at this point.

Deficits received by beet sugar area, 1957-61 and estimated for 1962

[Thousand of short tons, raw value]

Year	Deficits received from—			Total
	Hawaii	Puerto Rico	Virgin Islands	
1957	21	101	1	122
1958	148	141	5	294
1959	95	126	3	224
1960	172	249	6	427
1961	168	263	0	431
1962 ¹	90	200	-----	290

¹ Estimated on basis of current crop prospects.

The CHAIRMAN. Any questions, Senator Talmadge?

Senator TALMADGE. No questions.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Kemp, we are always glad to get you over here.

Mr. KEMP. Thank you, Senator Curtis.

Senator CURTIS. I have to get in my 2 cents on the question of subsidies.

Is it true or not, as to the taxpayer, does the Treasury of the United States pay any part of the price of sugar used by our people, I mean ultimately, when the transaction is completed?

Mr. KEMP. If you want to take the final result, Senator.

Senator CURTIS. Yes.

Mr. KEMP. I believe that the House report shows that the Treasury of the United States by virtue of the processing tax of the half cent a pound which is levied against sugar has during existence of this sugar system received over \$400 million. The Treasury has had that much more than it would have had if this system had not been in effect.

Senator CURTIS. In other words, the processing tax that is levied is paid ultimately by the purchaser of the sugar, isn't that correct?

Mr. KEMP. That is right.

Senator CURTIS. And from the proceeds of that tax the payments to the growers are made?

Mr. KEMP. That is correct.

Senator CURTIS. And the cost of administering the program?

Mr. KEMP. Correct.

Senator CURTIS. And the Government of the United States ends up with a profit of somewhere between \$15 and \$20 million a year.

Mr. KEMP. I think Mr. Myers said yesterday about \$18 million a year.

Senator CURTIS. Yes.

As I say there are many definitions of a subsidy, but the one that reasonable people understand would be a situation where if a loaf of bread sold for 20 cents, and the purchaser paid 15 cents, and the Government out of revenues paid 5 cents, but we have no such thing here.

The users of the sugar pay for all the sugar they use, isn't that correct, and the fact that it is channeled through a processing tax and

then as a payment to a producer, is a procedure in the operation of a farm program rather than a subsidy to either the producers or the consumer, isn't that right?

Mr. KEMP. Thank you very much for that contribution. That is the fact.

Senator CURTIS. Now, Mr. Kemp, is it not also true that it is in the interest of producers, refiners, the general public, and everyone that a sugar act be extended for a reasonable period of years?

Mr. KEMP. Indeed it is, Senator Curtis.

I was amazed yesterday to find that in 3 or 4 hours of discussion of this bill there wasn't a good word said for it. There ought to be a lot of good words said for this program. This has been not only a sound but it is—it has been a successful program, the country has benefited from it.

If you look at the chart on page 3 of the House report you will see that sugar—and I calculated this only about 6 weeks ago—is only 2 percent higher, the raw sugar price in this country, than it was when we went off price control in 1947, and I would like to see some other commodity—

Senator CURTIS. In other words, this basic Sugar Act has stabilized the industry at home and abroad, has it not?

Mr. KEMP. It has.

Senator CURTIS. And sugar is the best bargain that the housewife has when she goes shopping.

Mr. KEMP. Today.

Senator CURTIS. I am concerned about that because as has been stated here so many times, my obligation is twofold: we have a great sugar industry in Nebraska now that is entitled to have this program extended and to have all of their rights, their acreage quotas protected as are the processors.

I realize you are in more than a dual capacity here, speaking for an entire group and some of them have not taken a position on every detail or can agree on it and I also realize there are limitations not only to testifying here but in sitting down and agreeing with the Government.

So most of my questions will be largely for information.

When a farmer produces sugarbeets how is the freight handled, who pays it?

Mr. KEMP. Up to a certain point the processor pays it.

We have extended our operations so far from our factories, and freight rates have gone up, as we all know, so that in some of the long hauls the grower pays the freight over and above a certain level that the processor absorbs and that affects some of your territory, sir, and some of Senator Carlson's, also.

Senator CURTIS. Yes, sir, and you find, do you not, that farmers are so anxious to participate in this program that it is not uncommon for them to willingly—

Mr. KEMP. Absorb some freight? Correct.

Senator CURTIS (continuing). Absorb some freight, and it can run many hundreds of dollars a year.

But the distance that the beets are produced from the processing plant as well as the capacity of the plant are factors that place bounds and limitations upon the area to be served, isn't that correct?

Mr. KEMP. Indeed they are, sir.

Senator CURTIS. Yes.

Is it your opinion that the administration estimates were correct and if those sections relating to the domestic program are passed, we can have an expansion of plant for a 5-year average, do you think that is correct?

Mr. KEMP. Yes, indeed, sir.

Senator CURTIS. I do not agree with the amount but I wanted to check on whether or not the industry agreed with the Government that the language that has been proposed would bring that about.

Mr. KEMP. They do, and if they, sir, can find the money and invest it with reasonable profit, and I am sure investments must be based upon a reasonable profit expectancy, we can grow another hundred thousand acres of beets in areas that do not now produce them.

Senator CURTIS. Yes.

How much, just roughly, of the sugarbeet production is on irrigated land?

Mr. KEMP. There are only two principal nonirrigated areas, one is the State of Minnesota, the Red River Valley, extending down into southern Minnesota and into northern Iowa, and the other is the State of Ohio—States of Ohio and Michigan.

There is no irrigation in any of those areas, and that is not over 12, 13—well, with the Red River Valley, it may be 20 percent of total production.

Senator CURTIS. The greater portion is in irrigated land.

Mr. KEMP. Correct.

Senator CURTIS. Now, the amount of irrigated land that is not in prospect but that has been proven has greatly increased since the original allocations were made when the Sugar Act was passed, isn't that true?

Mr. KEMP. Yes, that is right.

I think we have got irrigated land in Oklahoma. I know there has been some increase in the irrigated development of Nebraska, northern Kansas.

Senator CURTIS. Yes.

At the present time, there are 2½ million acres of irrigated land in Nebraska and our sugar acreage is around 77,000, about 3 percent. I think that is all I will take time for at this time.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Kemp.

Mr. KEMP. Thank you, sir.

The CHAIRMAN. The next witness is Howard Martin of the New Mexico Beet Growers.

STATEMENT OF HOWARD V. MARTIN, REPRESENTING THE CURRY COUNTY SUGAR BEET ASSOCIATION

Mr. MARTIN. Mr. Chairman and members of the Senate Finance Committee, my name is Howard V. Martin, executive vice president of the Clovis National Bank, Clovis, N. Mex., and I represent the Curry County Sugar Beet Association of Curry County.

On behalf of this association I wish to express our appreciation for this opportunity to present our remarks for the record in this hearing.

Our county is located on the eastern edge of New Mexico, midway with respect to the north and south boundaries of the State.

About one-fourth of the cultivatable area of our county, something around 100,000 acres, is under irrigation.

At the present no sugarbeet acreage is under production in our county, with the exception of a few test plots and in a relatively few acres being grown experimentally for livestock feed.

We are interested in long-term sugar legislation which will permit our irrigation farmers to improve their lot, economically speaking.

The purpose of our testimony will be to briefly point out why, as a nonproducing area, we feel domestic production of sugar should be greater than is at present allowed. We would not attempt to recommend how much increase in terms of percentage for the reason we are not qualified to base such a recommendation on fact.

We realize the problems this committee faces, taking into account the different growing areas and the areas not producing who wish to do so; the problems between the cane and beet interests; the problems of the refiners; the concern of the Department of State, and so forth. But we do believe sincerely if you appreciate the desire of the American farmer to receive a fair return on his investment, on his hours of labor and with the risks they face in today's business of farming, then we believe you will arrive at a fair increase for domestic producers, whoever and wherever they may be and whatever the percentage of increase might be.

This is basically what we request—the chance for a little more diversification into a commodity which offers some degree of promise for a profit, and which is not a surplus crop in this country.

Perhaps the No. 1 prerequisite for any new legislation is to first determine the need for such legislation. Is there a need for a permanent sugar law, incorporating more domestic production?

We think so.

We believe there are several reasons which have been previously pointed out since the beginning of short-term extensions of the present act almost 3 years ago.

Among these valid reasons are:

(1) This is a crop not in surplus, which could replace many thousands of acres of crops now in great surplus.

(2) Sugar is an important crop to our standard of living and we should not be dependent for so much of it from oversea (and in the future, possibly uncertain) sources.

(3) This crop is basically good for the soil. Sugar is nothing more than carbon, hydrogen, and oxygen—none of which is chemically important to the productivity of the soil. This does not deplete land, like cotton, for example.

(4) Our farm economy is in need of a "shot in the arm." This is the underlying philosophy of the rural area development program, to which we ascribe and to which we in Curry County, N. Mex., already have set up the rural area development organization to implement this program.

If several multimillion-dollar refining plants could be built in this country as fast as industry could economically gear itself, such production increase could put hundreds of people to work in the plants, could put many thousands more to work in construction employment and on-the-farm jobs.

You can readily appreciate this economic advantage to our country. We feel such an increase needs to be a gradual and sustaining thing—an increase, not just to satisfy the cries of the present, but for the years to come so as to permit industry to orderly program future growth and expansion.

(5) We think we need to promote the general welfare of our own people—the producer, the consumer, the investor.

Certainly we are not opposed to importation of sugar from foreign sources. Although we do not understand the full implications of foreign trade, we do appreciate the necessity of favorable trade balance, the need for assisting underdeveloped friendly nations and the humanitarian responsibilities of a world power. As stated before, we are not opposed to foreign sugar purchased or the foreign farmer, instead we are for the American farmer.

These are not all the reasons which might be advanced to establish the need for increased sugar production, but we think they serve to illustrate the point.

If, for the sake of assumption, we might conclude the need exists for such an increase, then the second point which we would mention is the suitability of our area to sugarbeet production.

Mention was made earlier of some test plots which were planted in our county last year. Without the benefit of previous experience with this highly specialized crop and without the proper farm equipment, these tests produced quite satisfactory results.

To quote from the report on new area trial plots conducted by one of the beet sugar companies looking into the Southwest:

Trial plots at Clovis, Roswell, and Artesia, N. Mex., have all been very encouraging to date, with most of them indicating that very heavy yields could be expected.

This was the statement by the director, agricultural development of the company who kept in frequent communication with our county agent, in addition to making numerous inspection trips to our area throughout the growing period.

These results were particularly heartening to us for it proved conclusively a quality beet could be grown in our area.

Not that this will have a great deal of bearing on this hearing, but to further illustrate our concern for the chance to produce beets, Swift & Co. is currently building a 2¼ million beef slaughtering facility at Clovis.

Sugarbeet production would stimulate the feed lot business in the eastern New Mexico-west Texas area which would help guarantee a constant flow of fed cattle to this plant.

It is an established fact that the sugarbeet industry provides cheap and efficient byproducts helpful to produce ideal fattening cattle and sheet rations with grain and hay.

Farmers can utilize these byproducts if a refinery is located anywhere in the general vicinity. Deaf Smith and surrounding Texas counties located east of our county now produce about 1,900 acres of beets which have to be transported by rail to the nearest refinery about 350 miles away.

Naturally this transportation cost is high, and besides it precludes the farmers use of these important byproducts. Beet tops are an ideal feed for milk cows and definitely stimulate milk flow and but-

terfat production. This takes on added significance for our area because Safeway Stores, Inc., are now constructing a large fluid milk plant at Clovis.

As you can see, this can be worth a great deal to us in rounding out our agricultural economy, in fact our whole industrial development program built largely on the one natural resource we possess—agricultural and related products.

Gentlemen, in summation, we ask you first of all to view with favor a large enough increase in domestic production of sugar so as to aid the industry and the producer and the would-be producer.

Secondly, to incorporate this increase in a long-term law to permit an opportunity to all concerned for long-range planning; and third, to report out your bill at the earliest possible time in order to prevent another temporary extension of the present act.

Mr. Chairman, since my statement was prepared before the hearings yesterday, I would like to add a further comment.

The principal reason that the farmers of my area have been stymied in planting sugarbeets during the past 2 years when there have been no restrictions is because the beet sugar companies have no assurance that production will be available to support their operation if restrictions should be reimposed.

The mills have expressed a strong interest in our area. The farmers want to grow beets, they are capable of doing so, but there is no way of getting an acreage history so that they can obtain sufficient acreage to support a mill. I want to compliment Senator Kerr and Senator Anderson on their proposal to amend the legislation so as to provide an acreage history to farmers in the new areas.

If we can get this sort of amendment in the administration bill we can support it wholeheartedly.

We would then feel we have something to tie to and would be willing to take our chance on qualifying for an allotment of a proportionate share to our area for establishment of a sugar factory.

Again, Mr. Chairman, I thank you and the members of the committee for the opportunity of appearing and presenting this statement.

The CHAIRMAN. Thank you very much, Mr. Martin.

Senator Hruska, I didn't know you were in the audience, sir. Would you like to make a statement? I believe you were listed to testify tomorrow.

Senator CURTIS. Mr. Chairman, I think I can clarify the situation here.

The next scheduled witness is a beet grower from my home community. I have called upon my colleague, Senator Hruska, to present him because Senator Hruska is here to offer a statement, too, and Mr. Weedlun, if you would come up here also, I will have something more to say later on, have some material put in, but I will turn this over to my senior colleague at this point.

The CHAIRMAN. The Chair recognizes Senator Hruska.

Senator KERR. Before he does make his statement, I want to say to the distinguished Senator Hruska that the gentleman from Nebraska, whom he is introducing, is presenting a viewpoint similar to that which Mr. Martin has just presented, and in which Oklahoma is equally interested.

He not only comes on a good mission and introduced by a great Senator, but it just happens that he is a neighbor to one of the able men in my office, who has been up here three or four times, wanting to know when Weedlun was going to be here.

So, I am glad you are bringing him, Senator Hruska.

STATEMENT OF HON. ROMAN L. HRUSKA, U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator HRUSKA. Mr. Chairman, and members of the committee, I do hope Mr. McBride of Senator Kerr's office is here so that he will hear the testimony of this witness, who will speak to you shortly.

My purpose in coming here is twofold.

One is to submit a very brief statement which I will give to the reporter here in the interest of saving time.

No one is more keenly aware than I that the legislation with which you are wrestling is complex, since it goes into national and international policies.

The laws of economics and finances are involved, and in this committee the bill certainly finds a home, and finds company with many measures of similar complexity.

My colleague from Nebraska, Senator Curtis, is regarded as one of the outstanding experts in this field and he deserves the high regard in which he is held because of his long years of experience.

Mr. Chairman, I would like to submit this brief statement to the reporter for inclusion in the record at this time.

The CHAIRMAN. Without objection.

(The statement referred to follows:)

STATEMENT OF SENATOR ROMAN L. HRUSKA BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman, I appreciate the opportunity to appear before your committee in connection with legislation to amend and extend the provisions of the Sugar Act of 1948.

I wish today to make two principal points. This first is that the people of Nebraska support an extension of the Sugar Act because they want full protection to the present growers and present processors in our State. They are an important part of Nebraska's basic industry of agriculture.

The second point I wish to stress is that domestic quotas should be increased so that the thousands of farmers who desire to raise beets can have increased opportunity to do so. This can be done only under terms of a bill which would make it feasible to erect additional processing plant capacity in Nebraska.

My distinguished colleague, Senator Curtis, who is a member of this committee, has long held a lively interest in sugar legislation and is properly regarded as an expert in the field. I join in his views on the pending bill and share his gratification that there is in the measure a provision for an increase in domestic sugar allotments from their present 55 percent of American consumption to nearly 60 percent.

As Senator Curtis testified before the House Agriculture Committee, this bill does not completely satisfy those in the domestic industry who are in favor of greater increases in the domestic allotments. Certainly, in Nebraska, there is the capability to produce a substantially larger number of beets on 2½ million acres under irrigation.

In a time when the American agricultural economy is plagued with billion-dollar surpluses, costly to maintain it is difficult to argue against a proposal which would shift the acres now contributing to the grain surplus to the production of sugarbeets.

Not only would such a plan have a beneficial result from a purely agricultural standpoint, but because increased acreage means increased processing facilities,

there is an escalating benefit in additional plant investment, employment, transportation, and related activities. But certainly no one could expect processors to invest in new plants without assurance, as only the Congress can give, that added acreage and increased domestic quotas will be available for some time.

As the committee well knows, previous increases in domestic allotments, by and large, have not contributed to the bringing of new land under sugar production. This is because established areas simply increased their output per acre. The per-acre yield of sugarbeets is almost twice what it was at the beginning of the century.

Finally, Mr. Chairman, I should like to say a word about a "myth" since that terminology seems to be so popular these days. I submit the contention that the sugar industry is getting a free ride at the expense of the American taxpayer and the American consumer—who after all, are the same person—is a myth.

The truth is that there is no world price for sugar in the real sense. Practically every sugar-producing country has some kind of program and approximately 90 percent of the sugar sold on world markets is at a price which results from these programs and is in line with our own.

Mr. Chairman, I thank the committee for its courtesy in allowing me to appear.

Senator HRUSKA. And then introduce to the committee——

Senator GORE. I would like to observe that I think it is the first time I have heard a Member of the Senate say he would prefer someone other than himself to make a decision. [Laughter.]

Senator HRUSKA. If the Senator from Tennessee would permit, I should like to say just to cut away the underbrush and do some of the toil on the issue before final decision is rendered on it, and on that score I will abdicate my vote to no one, not even to my good colleague here. [Laughter.]

I take great pleasure, Mr. Chairman, in introducing to the committee Carroll Weedlun, of Minden, Nebr. He is 43 years of age; he is a veteran; he has glider pilot experience in the service. I asked him, "How shall I introduce you? What shall I say about you?"

And he said, "I am just a farmer," and Mr. Chairman, I know of no prouder title or characterization than to say that this witness is just a farmer, a farmer who has a hundred acres of sugarbeets, a farmer who does some cattle feeding and has diverse crops in addition to that.

His fields of sugarbeets are irrigated, some of them by pump, some of them by gravity, and so I submit to you that his isn't just a voice from the grassroots; it is a voice from the sugarbeet roots. I imagine that that would be as salutary a thing to have by way of getting the record to balance as any.

So, I want to introduce one of Carl Curtis' neighbors from Kearney County in Nebraska, Mr. Carroll Weedlun. With your permission, Mr. Chairman, I would like to excuse myself and contribute what efforts or time I can to another committee which is sitting at this same time.

The CHAIRMAN. We are always happy to have you here, Senator Hruska.

Senator HRUSKA. Thank you.

The CHAIRMAN. Mr. Weedlun, you take a seat. You have been very highly complimented and I have no doubt you will make a statement which will justify all the nice things which have been said.

STATEMENT OF CARROLL WEEDLUN, MINDEN, NEBR.

Mr. WEEDLUN. I don't think I have ever had an introduction like that before in my life, and I will tell you this just completely snow-balls me.

My name is Carroll Weedlun. I am a farmer and cattle feeder from Minden, Nebr. I farm ground my grandparents homesteaded when they came from Sweden. My farm consists of nearly 400 acres. It is irrigated by both a deep well and by gravity. I plant about 100 acres of sugarbeets every year. The balance of my land is in corn, milo, alfalfa, and the feed grain program.

The day before yesterday I was out in the field on my tractor where I was urged by a committee to come to Washington to appear here in behalf of all my neighbors and the farmers generally of our area because the expansion of sugarbeets is a vital need. It is most important and a constructive thing that could be done for our entire agricultural economy. While I am going to tell you of my farming operation, and I will speak concerning my own county and surrounding counties because I am familiar with the situation there, I favor an expansion of sugarbeet production for the benefit of all the farmers not only in all of Nebraska but in every State, including those States represented by the Senators on this committee. There is no personal gain for me in this promotion—frankly, I would rather be out on my tractor right now, and that is for dang sure.

Our area is a good sugarbeet producing area. There have been times under the most favorable conditions when I have had a sugarbeet field that produced as much as 19 tons per acre. Last year my beet yield averaged between 14 and 15 tons per acre which was about the average for our area for that year.

I received \$12 per ton, or approximately \$175 per acre for my beets. My cost in producing the beets was a little over \$100 per acre, so I netted approximately \$70 per acre on my beets. Comparing this with my corn crop, which was 90 bushels or \$90 per acre, with my cost at \$55 per acre, I netted \$35 on corn or just about one-half what I netted on beets. You must also consider that beet ground has twice the value of corn ground after harvest in pasturing livestock.

I am one of the very few farmers in Kearney County that has a beet acreage. The history of beet production on that farm was started soon after I returned from service in World War II when the farm was under the active operation of my father. The vast majority of farmers in my area have no beet acreage at all. The beets that I raise are shipped to Sterling, Colo., a distance of 200 miles, because there is no sugarbeet factory in that part of south-central Nebraska. The freight on beets from my home to Sterling, Colo., is \$2.08 a ton. The Great Western Sugar Beet Co. pays \$1.50 of this but in order to have some participation in beet growing and to hold my acreage I, the producer, must pay the balance of the freight cost.

Beet production of 12 tons per acre, which nets the producer \$12 a ton, enables him to make some money and stay in business. Greater profit is more desirable but the point I wish to make is that the area of which I speak would never fall in the category where the beets would be unprofitable and would likely be discontinued. Our area, if given an acreage quota, will not abandon beet growing during periods of temporary change in our agricultural economy.

My illustration is nothing unusual or outstanding but it is typical of the situation in my area. However, this applies only to the few of us who have a sugarbeet history and a contract to produce sugar. Without a sugar history, no farmer, regardless of his irrigated land, his equipment, his intelligence, or his capacity to produce excellent crops can produce beets at present, but rather he is forced to add to his own problems and that of agriculture generally by continuing to produce surpluses.

We have in Kearney County about 90,000 acres of irrigated land. This is from gravity and deep wells. We are only growing 1,468 acres of sugarbeets. The farmers in our area are very anxious to grow sugarbeets. The demand for acreage is very strong as it is in similar areas.

We are restricted as to sugarbeets because of the law and the limited capacity of our sugar refineries. If a sugar bill was passed increasing the acreage allotment for a period of a number of years, I am sure that the sugar companies would be willing to put a refinery in our area and in every deserving area.

Of the 90,000 acres of irrigated land in our county, 35,000 of this is irrigated by the Central Nebraska Public Power & Irrigation District, and about 55,000 acres are being irrigated by the wells put in at the farmer's own expense.

In an area in south-central Nebraska which consists of 14 counties, we have a total of approximately 700,000 acres of land irrigated by these 2 methods.

It is safe to say that a minimum of 10 percent, in fact much more, or 70,000 acres, are highly suitable for immediate sugarbeet production.

Yet this entire 14-county area has less than 3,000 acres of sugarbeets. A similar situation prevails in many other parts of Nebraska and in north-central Kansas, which is very close to us, and I am sure in other places.

Surplus crops grown in this area could be reduced with the production of sugarbeets. This would contribute to a reduction of the cost to the taxpayers of the farm program.

The high proven production of sugarbeets in our area is a major asset. We have excellent transportation facilities to ship our sugar to eastern markets. A very high type of labor is available.

The soil is as good as anywhere and it has proven, under irrigation, to be highly productive.

Nebraska is the second largest meat-producing State in the Nation. Added sugarbeet production would greatly benefit our livestock feeding industry.

Mr. Chairman, I referred to the demand of the farmers of my community and of surrounding territory for an opportunity to raise sugarbeets. To call it a demand is to put it mildly.

Our desire to participate in this program is intense. Many of them talk to me about it. It is a subject of discussion at sale barns and other places where men gather. I know that countless requests are made constantly to the county agent, the county ASC office, and to the representatives of sugar companies.

The farmers are concerned not only with their individual problems, but they see in a sugarbeet expansion some ray of hope concerning our overall agricultural problem throughout the country.

I know of many capable, well-equipped and experienced farmers of irrigated land who are just begging for beet allotment. We cannot understand why as much as 40 percent of the sugar used in this country must be, by law, imported from foreign countries. The Congress alone can change this situation.

A conservative estimate in my own county is that sugarbeet acreage could be increased from its present 1,468 acres to over 9,000 acres. I would like to illustrate just what would happen as soon as we could double the county's acreage or have 1,500 additional acres. This would provide 50 farmers a 30-acre beet allotment. They would immediately purchase equipment costing on the average of about \$3,000 or \$150,000 worth.

There would probably be 150,000 bushels less corn raised. There would be 150,000 bushels less corn to be store or to be supported in price. The income for this particular acreage would be doubled for the 50 farmers participating.

A definite contribution would be made to livestock production. Plant investment, wages, and other benefits would come from the transportation and processing of the beets. The income upon which taxes are paid would be increased for many taxpayers.

In closing I want to express the hope that this committee will make the greatest expansion of domestic sugarbeets possible. I come here not as a legislative expert. I am not here to give advice on the many problems in the field of foreign affairs. I am a farmer pleading in behalf of all farmers everywhere for an opportunity to have a greater part in supplying the sugar needs of our own American people.

The CHAIRMAN. Thank you very much, Mr. Weedlun, for a very able statement.

Senator CURTIS, did you have some questions?

Senator CURTIS. I will offer some material after everybody else has some questions first.

Mr. WEEDLUM. Thank you very much, sir.

Senator CURTIS. Mr. Chairman, at this point I would like to insert a telegram from Governor Morrison of Nebraska, a telegram from Mr. Fred Seaton, the former Secretary of Interior, and a selected group of other telegrams which I will not enumerate. I would like to have those appear in the record at this point.

The CHAIRMAN. Without objection.

(The telegrams referred to follow :)

LINCOLN, NEBR., June 20, 1962.

Senator CARL CURTIS,
Senate Office Building,
Washington, D.C.:

As Governor of a major sugar-producing State with rapidly expanding irrigation acreage, vital to the State's economic development, I strongly urge extension of the Sugar Act which has worked well for many years. Nebraska has a wealth of experienced sugar producers, and the capability of extensively increasing its sugar acreage. This legislation is needed as the basis for the additional sugar-processing facilities which we are hopeful of bringing into our State, which would add stability to our State's agriculturally oriented economy.

FRANK B. MORRISON,
Governor of Nebraska.

HASTINGS, NEBR., June 20, 1962.

HON. CARL T. CURTIS,
U.S. Senate, Senate Office Building,
Washington, D.C.:

I will deeply appreciate it if you will bring the following statement of my views concerning the pending sugar legislation to the attention of Chairman Byrd and the members of the Senate Finance Committee.

"It is a matter of record that many Nebraska farmers are now producing sugarbeets and the processing of that crop is a vital part of the economic life of several of our communities. Therefore, I respectfully urge that the Sugar Act be extended for several years. I also believe it is vital to the future economy of this State and others in the West that domestic producers' quota for sugarbeet production be materially increased. In my opinion, the House of Representatives made a commendable beginning in that respect by the action it took on Tuesday. As you know, the bill passed by the House would provide that approximately 60 percent of the U.S. sugar needs would be provided by domestic producers, whereas they now are allowed to provide approximately 54 percent. That same bill would also allow domestic producers to participate in 63 percent of the domestic market growth instead of the present 55 percent. I hope the Senate will make further substantial increases in the domestic production ceilings as allowed by the House action.

Since the original Sugar Act was passed, Nebraska has increased its irrigated acres manyfold, much of it by private enterprise. Even though the soil and climate in many of our counties are favorable to the profitable growing of sugarbeets, a number with well-developed, irrigated land have little or no sugarbeet production under present restrictions. Hundreds of additional farmers would welcome the opportunity to raise beets and many communities are interested in the establishment of sugarbeet factories, if a domestic production increase is allowed. Because of my continuing interest in the welfare of agriculture with particular emphasis on the Western States with which I worked closely during my term as Secretary of the Interior, I do hope the Members of Congress will enact into legislation a Sugar Act which will be beneficial to our economy. The expansion of our domestic sugarbeet industry will be a most important step in improving the lot of our basic industry in this State and region which is agriculture."

FRED A. SEATON.

LINCOLN, NEBR., June 19, 1962.

Senator HARRY F. BYRD,
Senate Office Building, Washington, D.C.:

The Nebraska State Grange favors an increase in the domestic sugar quota to reflect 100 percent of the gross factor with adequate provisions for expansion of beet sugar production by new growers.

G. A. SPIDEL,
Master of Nebraska State Grange, Lincoln, Nebr.

LINCOLN, NEBR., June 19, 1962.

HON. HARRY BYRD,
U.S. Senate, Washington, D.C.:

The American farmer needs and deserves the opportunity to produce more of our country's sugar needs. The agricultural situation dictates the switch to non-surplus crops. We respectfully request your support for sugar legislation providing (1) 100 percent of growth factor be allocated to domestic producers; (2) 60 percent of this growth factor be designated for new growers and new areas.

WARREN H. CURRY,
President,
WINTON BUCKLEY,
Chairman,

Agricultural Committee, South Platte United Chamber of Commerce.

SUPERIOR, NEBB., June 19, 1962.

Senator HARRY BYRD,
Senate Office Building, Washington, D.O.:

I strongly urge more consideration for the American farmer in proposed sugar legislation.

I feel 100 percent of the growth factor should be retained and adequate provisions made for new growers in new areas that will result in new factories.

MINOR BAIRD,
President, Farmers State Bank.

ELWOOD, NEBB., June 19, 1962.

CARL T. CURTIS,
U.S. Senate, Senate Office Building, Washington, D.O.:

Retel, about 20 acres beets in county now; 20,000 acres irrigated land in county. We should be able to handle 3,000 to 5,000 acres in a few years.

MAX JUNKIN.

HOLDREDGE, NEBB., April 19, 1960.

Senator CARL T. CURTIS,
Washington, D.O.:

Retel: 1,300 acres sugarbeets this year. Demand for additional acres, yes, if weed and labor problems can be solved; 100,000 acres suitable for beets. Can handle 20,000 to 25,000 acres in 3 years.

CLAY M. WESCOTT.

MINDEN, NEBB., June 20, 1962.

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.O.:

There is now 1,468 contracted acres of sugarbeets in Kearney County. There is a very definite demand for additional beet acres. There is at present about 75,000 acres of land in this county suitable for sugarbeet growing. I am sure that our county could reasonably handle 9,000 additional acres in the next 1 to 3 years.

A. C. HOVE.

HASTINGS, NEBB., June 19, 1962.

HON. CARL T. CURTIS,
Senate Office Building, Washington, D.O.:

Retel: Only 30, repeat 30, acres of beets in Adams County this year. Would be strong demand if processors would allot more acres; 50,000 to 55,000 acres of irrigated land suitable for sugarbeet production in Adams County; 5,000 to 10,000 acres reasonable prospect in beets at end of 3 years. Cordially.

EDWARD B. COSORIFF,
City National Bank, Hastings, Nebr.

EDISON, NEBB., June 20, 1962.

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.O.:

Furnas County has 617 acres sugarbeets growing. There is a very strong and urgent demand for additional sugarbeet acreage. In Furnas County there are 30,000 acres suitable for growing sugarbeets. The county could handle at least 1,000 new or additional acres of sugarbeets in the next 1 to 3 years, probably more. Required reduction in other crops makes sugarbeets ideal as replacement crop to help farmers sagging income.

MERLIN R. GAREY,
Farmers & Merchants Bank.

MCCOOK, NEBB., June 19, 1962.

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.O.:

Red Willow County beet acreage this year 650, strong demand by irrigators for beet acreage on 5-year plan but most want a 10-year plan. Under present conditions can develop between 3,000 and 4,000 acres in 1 to 3 years and even more depending on farm irrigator education. About 40,000 acres in this county and a total of 60,000 acres within 15 miles of McCook, the county seat, are

suitable for growing beets, machinery necessary and the education raising and harvesting sugarbeets would indicate the necessity of the 10-year plan which would also assure the sugar processors and certain economy in building a sugar factory here and in other locations in the Republican Valley. Information from county agent, ASC office and Bureau of Reclamation.

HAROLD P. SUTTON.

SUPERIOR, NEBR., June 20, 1962.

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

No sugarbeet acreage in Nuckolls County at this time. No doubt many of our good farmers would be interested in growing sugarbeets if allotments were made available in this county; 6,568 acres are under irrigation from the Harlan County Dam and we have more than 200 wells that provide irrigation water for an estimated 8,000 acres. County agent reports that most of the soil in this area under irrigation is very similar to that in the Holdrege area where sugarbeets are being grown successfully. County agent feels that many of our farmers would be interested in growing beets if given the opportunity.

SUPERIOR CHAMBER OF COMMERCE,
R. VERNON MCBROOM, Manager.

RED CLOUD, NEBR., June 20, 1962.

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Webster County produces no sugarbeets at the present time, but a great many farmers would like to raise sugarbeets to replace acres now raising crops that are in surplus. Sugarbeets are badly needed by the farmer to enable him to continue in the farming business. Webster County has 10,000 acres under irrigation which is suited to the production of sugarbeets and they would like to start with an acreage of at least 2,000 acres.

A. C. SPLATTSTOESSER, Superintendent,
H. E. THOMAS, Director.

BEATRICE, NEBR., June 20, 1962.

Hon. CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Replying to yours of the 19th: (1) Thayer County has no present sugarbeet acreage; (2) there is a definite demand for beet acreage due to necessity of rotation of crops; (3) Thayer County has some 30,000 irrigated acres suitable for beets; (4) feel 1,500 to 3,000 acres would go into beets in next 3 years if acreage available.

J. R. KENNER,
President, Thayer County Bank.

KEARNEY, NEBR., June 20, 1962.

Senator CARL CURTIS,
New Senate Office Building,
Washington, D.C.:

Two thousand and seventy-four acres of sugarbeets were planted in Buffalo County, Nebr., in 1962; 2,123 acres have been contracted for in 1962. There is a demand for additional acreage. There are 25,000 acres of land that would be well suited for sugarbeet growing. The county could handle 400 additional acres of sugarbeets in the next 3 years. County has expanded from 1,600 to 2,100 acres in the past 5 years; however, acreage is determined by processor.

LAWRENCE KUEBLER.

GRAND ISLAND, NEBR., June 20, 1962.

HON. CARL T. CURTIS,
U.S. Senator,
Senate Office Building, Washington, D.C.:

Contacted Assistant County Agent Charles Francis, ASCS Manager A. L. Johnson, American Crystal Sugar Co. Manager H. H. Winkhoff. The following data should give information asked: 1,209 acres sugarbeets contracted for 1962. There is a potential demand for 800 additional acres. There are approximately 30,000 acres suitable for beet growing. Sugar factory indicates 1,200 additional acres could be handled within the next 1 to 3 years. This is for Hall County.

DONALD W. HAGGART,
Hall County Soil and Water Conservation District.

LEXINGTON, NEBR., June 20, 1962.

HON. CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Approximately 6,000 acres sugarbeets planted in Dawson County in 1962. This acreage could easily be doubled if no threat of acreage controls for at least 2 years; 307,000 acres of irrigated land in county. If forced to comply with proposed feed grain program we will be desperately in need of additional cash crops. Additional sugarbeet acreage will provide some much needed diversification for agriculture in this county. Each new grower would purchase approximately \$7,000 worth of additional machinery to get equipped to grow sugarbeets.

HENRY ORIHMAN,
President, Nebraska Beet Growers Federation.

BRIDGEPORT, NEBR., June 20, 1962.

HON. CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Morrill County presently has approximately 9,700 acres of sugarbeets growing. We have more than 70,000 acres under irrigation most of which is suitable for growing sugarbeets and within the next few years could easily handle a 20-percent increase in sugarbeet acreage and still follow good crop rotation practices.

ARTHUR ERICKSON,
President, Bridgeport State Bank.

ORD, NEBR., June 20, 1962.

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Four hundred fifty acres of sugarbeets are being grown in Valley County this year. There is a demand for expansion and it will increase; 20,000 acres in county are suitable for beets; 500 to 1,000 acres increase in beet acreage could readily be handled in the next 3 years. Your telegram to me was mailed locally causing my reply to be late.

RAYMOND POCOCK.

AINSWORTH, NEBR., June 20, 1962.

HON. CARL CURTIS,
Senate Office Building, Washington, D.C.:

In 1962 800 in sugarbeets. Present time over 6,500 acres suitable for beets. Bureau will make another 10,000 acres suitable in 1965, another 20,000 in 1966 with over 30,000 acres by 1970. County agent expects reasonable increase of 1,000 acres in next 1 to 3 years. First beets grown in 1961. Strong interest in community for beets as additional crop. It will take a little time for growers to learn crop. Rigid allotments would put growers out of business as county has no history. Growers have invested about \$10,000 each for beet

equipment. Conservative estimate of over \$200,000 invested in county of beets in past 2 years. Above information made available from county agent ASO office and Bureau of Reclamation.

ROY D. RAITT.

LISCO, NEBR., June 20, 1962.

HON. CARL T. CURTIS,
Senate Office Building, Washington, D.O.:

One hundred ten acres sugarbeets presently being raised in Garden County. Presently some demand for additional sugar acres but we expect this to increase considerably providing that the farm program goes into effect further limiting the farmers to the number of acres of corn and other such grains that he can grow and that are suitable for this North Platte Valley. One important factor that has discouraged many farmers from raising sugarbeets is the restriction put on them with reference to acquiring and keeping Mexican national beet laborers. However there is much new modern equipment available which is reducing need for manual labor; 5,000 acres of land suitable for sugar-beet growing. Garden County could reasonably handle 1,500 additional acres within the next 1 to 3 years.

THOMAS H. OLSON.

BRULE, NEBR., June 20, 1962.

HON. CARL T. CURTIS,
*Senate Office Building,
Washington, D.O.:*

Your stand on sugarbeets is appreciated. Keith County 1962 acreage is 2,950. Estimate 300 acres additional for 1963; 10,500 present acres suitable for beet growing can be increased one-third by additional irrigational wells. Ten percent estimated increase in acreage each year for 1963, 1964, and 1965 provided present wheat and corn restrictions continue.

MELVIN ADAMS.

NORTH PLATTE, NEBR., June 19, 1962.

HON. CARL T. CURTIS,
*Senate Office Building,
Washington, D.O.:*

The offices of our Lincoln County agent and ASO committee have been very cooperative in supplying information relative to sugarbeet production here. For 1962 3,885 acres were signed up for beets in Lincoln County. The 1959 Department of Agriculture Census found 59,000 acres of irrigable cropland in our county. In a national emergency most of this could be converted to sugarbeets. Under present quotas it is believed beet acreage will increase perhaps 1,000 acres a year or 3,000 acres for a 3-year period. However, this is subject to future allotment. Beets are both an intensive and expensive crop demanding specialized machinery and the importation of labor. Great interest amongst the growers can only be accomplished under a longtime acreage allotment and a 10-year period is none too long for this.

We thank you for your continued interest in the problems facing Nebraska agriculture.

J. Y. CASTLE.

ORLEANS, NEBR., June 20, 1962.

CARL T. CURTIS,
U.S. Senator, Washington, D.O.:

Harlan County has 15,000 acres suitable for beets and requests for allotments denied. Passed 10 years. No present acreage. One thousand acres could be handled in next 3 years.

THOMAS J. WALDO.

LOUP CITY, NEBR., June 20, 1962.

Senator CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Re tel no sugarbeets presently being raised. There is a demand. Four thousand acres suitable for sugarbeet growing. Could handle 1,000 acres. New sugarbeets processing facilities need to be expanded to take care of increased acreage.

ELDEN BASS.

RUSHVILLE, NEBR., June 20, 1962.

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Present Sheridan County sugarbeet acreage 3,000. Could use 500 to 1,000 additional acreage allotment within next 3 years. Total irrigable land in county about 25,000 acres. Demand limited here only by freight rates and distance of processing factories.

PHIL GOTTSCHALK.

CENTRAL CITY, NEBR., June 19, 1962.

Senator CARL T. CURTIS,
Washington, D.C.:

We endorse your sound position on Sugar Act. Merrick County has been averaging 250 acres beets but down to 75 acres because of labor problem. Think there is demand for at least 300 to 500 acres now and further increase if we can get a dump. These figures from county agent and ASC. Thank you respectfully.

MARK DITTMAN.

LINCOLN, NEBR., June 19, 1962.

HON. CARL CURTIS,
U.S. Senate,
Washington, D.C.:

The American farmer needs and deserves the opportunity to produce more of our country's sugar needs. The agricultural situation dictates the switch to non-surplus crops. We respectfully request your support for sugar legislation providing: (1) 100 percent of growth factor be allocated to domestic producers, (2) 60 percent of this growth factor be designated for new growers and new areas.

WARREN H. CURRY, *President.*
WINTON BUCKLEY, *Chairman.*

Agricultural Committee, South Platte United Chamber of Commerce.

SCOTTSBLUFF, NEBR., June 20, 1962.

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

Farmers and landowners in Scotts Bluff County favor sugar legislation as stated in your wire. There is a demand for an increased acreage of sugarbeets in Scotts Bluff County. Sugarbeets grown in Scotts Bluff County, Agriculture Committee office records show the following: Year 1959, acres, 30,582; year 1960, acres, 38,846; year 1961, acres 42,020. Contracted acreage for 1962 44,200 acres. Here are 200,000 acres suitable for sugarbeets in county. We expect 2,000-acre increase each year for the next 3 years. Sources checked for information—County Agricultural Stabilization Conservation Committee, county agent's office and Great Western Sugar Co. records. I favor this legislation. Best regards.

CLEM O. WIMBERLY.

ST. PAUL, MINN., June 20, 1962.

HON. CARL T. CURTIS,
U.S. Senate Office Building,
Washington, D.C.:

No present sugarbeet acreage in Howard County. Definite demand in county. Sugar acreage waiting for water—Farwell unit. Fifty thousand acres suitable for sugarbeet growing in Howard County. Could handle 2,500 to 3,000 acres of sugarbeets in next 3 years if plant capacity at Grand Island is available. Potential development in central Nebraska next 10 to 15 years is 20,000 to 25,000 acres

in sugarbeets, if plant capacity is available. Summary: Acreage for sugarbeets is available; plant capacity is important to insure market for the sugarbeets.

CYRIL P. SCHAUGHNESSY.

FRANKLIN, NEBR., June 20, 1962.

CARL T. CURTIS,
U.S. Senator, Senate Office Building,
Washington, D.C.:

Only 23 acres sugarbeets now planted in Franklin County. Twenty-eight thousand acres under irrigation in county, about half under pump and half in Bostwick district in valley. Survey 2 years ago indicated about 50 percent of irrigators interested in beet acreage due to unsatisfactory returns from corn production. Estimate 12,000 to 15,000 acres could be converted to beet production next 3 years this county.

PERRY SLOCUM.

SPALDING, NEBR.

Senator CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Estimate in excess of 10,000 acres under pump irrigation in Greeley County, Nebr. Certainly 2,500 acres can be brought into sugarbeet production within next 3 years provided farmers are assured continuity of production to justify investment in machinery. Accessible market for beets and Grand Island, Nebr.

Best regards.

M. B. McMANAMAN.

STATEMENT OF SENATOR T. CURTIS

In addition to the specific telegrams I have received, many other communications have come in over the past months. I shall not burden the record with all of them. I would state that within the last day or two I have received requests for additional sugarbeet production from:

Glenn J. McEniry, manager, Kearney Chamber of Commerce, Kearney Nebr.
Warren Walz, farmer, Ainsworth, Nebr.
Francis Bejot, farmer, Ainsworth, Nebr.
Fred W. Rose, Ainsworth Star Journal, Ainsworth, Nebr.
Darrel S. Bowers, Ainsworth, Nebr.
Dr. Leo Beattie, Ainsworth, Nebr.
Dr. V. L. Hybl, mayor, city of Ainsworth, Nebr.
William Highes, farm manager, city of Ainsworth, Nebr.
Bruce Kennedy, Chamber of Commerce, Ainsworth, Nebr.
H. N. Jessen, Ainsworth, Nebr.
James Kelly, Lexington, Nebr.

THE CENTRAL NEBRASKA PUBLIC POWER
AND IRRIGATION DISTRICT,
Hastings, Nebr., June 20, 1962.

Re sugarbeet legislation.

HON. HARRY BYRD,
U.S. Senator,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR: The Central Nebraska Public Power & Irrigation District is a nonprofit public agency organized under the laws of the State of Nebraska as a political subdivision of the State to develop its irrigation and hydroelectric potential.

Organized in 1933 it built and for over 20 years has operated a project now furnishing gravity irrigation to 113,000 acres of rich, fertile farmlands in Gosper, Phelps, and Kearney Counties in south central Nebraska. This gravity irrigation recharges and stabilizes the underground water supply for some

177,000 acres of pump irrigated lands in the above three counties and in Adams County.

The principal crop on this 290,000 acres of land is corn with yields of over 100 bushels per acre. Only about 2 percent of this irrigated area is in sugarbeets.

The 5,800 acres of beets grown prove that excellent yields of high sugar content beets can be grown and most farmers in the four county area are anxious to add sugarbeets to their crop production. Many are cattle feeders and beets work in exceedingly well with a feeding program.

Based upon the writers knowledge of the area and his acquaintanceship with its farmers and an informal factfinding survey it is his opinion that if quotas and processing facilities were available the beet acreage in this area could be raised in a few years to approximately 11 percent of the irrigated acres or around 30,000 acres.

The farms in this area are mostly family operated and there is a great need for nonsurplus crops which will help sustain the income which will enable them to continue as family-sized farms.

The business interests of the area are already beginning to feel the effect of large unit farming and of soil bank retired land both of which reduce the number of farm families with their community sustaining buying power.

The farmers and business interests of this area are anxious to add sugarbeets to their crop production and hope that action of this Congress will make this possible.

Sincerely,

STANLEY A. MATZKE,
Assistant to the General Manager.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. Harold Purdy, Western Kansas Sugarbeet Council.

Senator CARLSON. Mr. Chairman, I would ask unanimous consent that Mr. Purdy may read his testimony even though he did not comply with the committee request to have copies for everybody; that he came in late, if that is agreeable with the chairman.

The CHAIRMAN. Without objection.

Take a seat, Mr. Purdy, and proceed.

STATEMENT OF HAROLD PURDY, WESTERN KANSAS SUGARBEET COUNCIL

Mr. PURDY. Mr. Chairman, I would like to enter most of our statement from western Kansas into the record to save time, and I will read just a short part of it, if that is permissible.

The CHAIRMAN. All right.

Mr. PURDY. Mr. Chairman and members of the committee, I am Harold Purdy, of Deerfield, Kans., a farmer.

We raise sugarbeets in our area. Our area is an irrigated area that has been developed in the past 4 or 5 years down in the southwestern part of the State of Kansas.

I would like to reemphasize that we made in our previous statement that was entered that if it was important in 1934, as a matter of national security when the continental United States, to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices, should it not be true today, if not more so?

I would hardly call 3,545,000 tons of sugar allotted to mainland cane and sugarbeet areas a substantial part of our sugar requirements.

There has been much discussion about subsidizing sugargrowers here in the United States, when quite possibly the opposite might be the case.

According to the sugar situation released March 16, 1962, by the U.S. Department of Agriculture, on page 23, the average price farmers received for a ton of beets in 1961, including Government payment, was \$13.15, yet parity price, or what he should have received, was \$16.40.

At no time since 1948 has the farmer of sugarbeets received parity price for a ton of sugarbeets, Government payment included.

It would appear that the farmers of our country have been subsidizing our standard of living, not only in sugar, but in other crops, because this same situation exists in these other crops also.

I represent people who think that 59.8 percent of the basic quota for domestic growers is insufficient. If that is all the American growers are entitled to, then they should be allowed to produce all of the 59.8 percent in the domestic area that can be produced.

Both S. 3290 and H.R. 12154 state that any deficit occurring in the domestic area must be prorated to the Republic of the Philippines and foreign countries named in section 202(c) (3) (A). With deficits very likely to occur, this change in the language of the deficit provision of the act does not provide that 59.8 percent of our basic quota will be produced domestically.

Some have said that the present sugarbeet industry could not fill all this added tonnage anyway. If this is true, it is because the industry has been hindered by restrictions so that very little expansion of processing facilities took place.

Even so, the industry has made a tremendous contribution the last 3 years when called upon to supply their quota, plus deficits from other domestic areas.

For the reason that expansion of processing facilities should take place here on the continental United States, we believe that 50,000 tons of sugar set aside for expansion in the sugarbeet area are insufficient. At least 100,000 tons of sugar should be set aside for this expansion.

Very clear language should be written into the act that this be set aside starting next year, and each year, regardless of whether there are acreage restrictions or not. It should also be clear that areas now producing beets, but shipping long distances to the processors, could expand enough to build a new factory in their area.

I thank you, Mr. Chairman, for this opportunity to be heard before your committee and I again urge your serious consideration of proposals to grant the American farmer a greater share of the American sugar market.

(The statement referred to follows:)

STATEMENT BY HAROLD PURDY WITH RESPECT TO LONG-RANGE SUGAR LEGISLATION

Mr. Chairman and members of the Finance Committee, it is a privilege to again appear before your committee to testify for additional sugar production within the continental United States.

I am Harold Purdy, Deerfield, Kans. We of Southwest Kansas Sugarbeet Council, represent some 2,500 farmers in a large irrigation area in southwestern Kansas, who can and would grow 40,000 to 50,000 acres of sugarbeets, each and every year, if given the opportunity. Part of this area has raised up to 10,000 acres of sugarbeets since 1908.

Since 1954 the acres of land under irrigation have increased from around 200,000 acres to in excess of 850,000 acres now. This land is watered by underground wells that average around 1,400 gallons per minute per well which is large enough to handle the water requirements of a crop such as sugarbeets.

This expansion has come about by American citizens who, having faith in their country and Government, have, with the help of agencies of the Department of Agriculture, invested their own capital and time to develop these resources.

After all this expense and effort by the Department of Agriculture to develop an area of intense irrigation farming, it seems strange to many people at home that with the opportunity at hand to produce more sugarbeets for sugar here in the continental United States, that we are not permitted to do so. Instead we must continue to grow crops that are supposedly in surplus and get paid to take land out of production when we could be growing a nonsurplus crop of sugar, which is vital to our national security, on this land taken out of production.

When the sugar law was enacted in 1934, it was intended to do three things:

(1) Make possible as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff;

(2) To assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and

(3) Permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

Surely if it was true in 1934 as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices, should it not be true today, if not more so? Yet it appears to us that most emphasis is being placed on foreign trade with nations who cannot be depended upon to supply us with a stable and adequate supply of sugar for the years ahead.

Is the 3,545,000 tons of sugar that is produced in the continental United States a substantial part of our sugar needs in line with the national security objective of the Sugar Act? We think it is not enough and that more sugar should be produced here.

In the last war we called on Cuba to supply about 1 million tons of extra sugar above their quota to supply our emergency needs. What foreign countries can we depend upon to supply our needs in the next emergency should one ever occur? We need to build a source of supply of sugar here in the United States that we can absolutely depend upon.

Also, during the last war, our country called on the sugarbeet industry for additional production. With the present factories producing at capacity, how can we count on them to supply any large increase in case the need should arise? Some provision should be made now so that the industry can prepare extra processing facilities should the industry be called upon for increased production. Can we wait until after the emergency exists to start construction of plants?

According to Commodity and Facility Summary for Emergency records (July 18, 1961) in regard to sugar, 75 percent of the cane-refining capacity is at locations highly vulnerable to nuclear attack. They are in or near Boston, New York, Philadelphia, Baltimore, San Francisco, and New Orleans. We are not referring to this with a pessimistic view any more than building fallout shelters is a pessimistic trend. It is just a fact that exists.

We believe that these are all facts that should be considered as you are rewriting the Sugar Act. Although more should be done, a small step in the direction we are suggesting would be to give 100 percent of the growth factor to mainland cane and sugarbeet growers, divided 25 percent to mainland cane and 75 percent to beets, with a set-aside each year for new beet growers of enough acres to produce 85,000 tons out of this growth factor.

Mr. Chairman, this is what we recommend.

The CHAIRMAN. Thank you very much, Mr. Purdy.

Any questions?

Senator CARLSON. Mr. Purdy, how many years have you folks in western Kansas been growing sugarbeets?

Mr. PURDY. There has been beets grown in western Kansas since 1906.

Senator CARLSON. In other words, we have a historic base for growing sugarbeets in an area that can and does produce good quality beets?

Mr. PURDY. Yes, sir.

Senator CARLSON. How many acres of irrigated land do we have in that southwestern or western part of the State?

Mr. PURDY. The area I represent has about, a little over, 850,000 acres of ground under irrigation.

Senator CARLSON. And most of this irrigated land has soil that would be available for sugarbeets?

Mr. PURDY. Yes, it would.

Senator CARLSON. At the present time the beets grown in Kansas are processed where?

Mr. PURDY. They are processed in three different Colorado factories.

Senator CARLSON. What are the towns?

Mr. PURDY. One of them is at Rocky Ford, one of them is at Sugar City, and the other one is at Brighton.

Senator CARLSON. As far as you know the beets produced in Kansas, that is the quantity of beets produced in Kansas which are processed in the Colorado mills could be greatly increased if they had the capacity to take them?

Mr. PURDY. Oh, yes. There has been a great demand for sugarbeets in our area alone.

Senator CARLSON. Do you know how many thousand acres we have in beets in that western part of Kansas?

Mr. PURDY. The area I represent has 10,000 acres planted this year but there is a northern area up there that has about half that much planted, in the northern part of the State that I do not represent.

Senator CARLSON. In your opinion, could not the acreage be expanded without any difficulty to furnish, and completely furnish or supply a refinery?

Mr. PURDY. We took a survey just this spring, and we had requests for this excess of 40,000 acres of sugarbeets in our southwest 19 counties alone.

Senator CARLSON. There is no question then but what you could furnish beets providing that there was some certainty of continued production?

Mr. PURDY. I believe there is no question, because half of the farmers didn't even take time to send back the postcard.

Senator CARLSON. I appreciate very much your statement, because the Secretary yesterday, Secretary Murphy, stated that, in the future allocations and locations of refineries, past production of beets would be one of the considerations of the criteria that would determine when and if any new plants would be established. Mr. Purdy, I appreciate your statement very much.

Mr. Chairman, with your permission I also offer for the record a statement by Mr. Harry L. Lightcap of Hugoton, Kansas.

The CHAIRMAN. It will be incorporated in the record of the hearings.

(The statement of Mr. Lightcap follows:)

STATEMENT BY HARRY L. LIGHTCAP WITH RESPECT TO LONG-RANGE SUGAR
LEGISLATION

Mr. Chairman and members of the Finance Committee, I am Harry L. Lightcap, representing new growers and new growing areas in western Kansas.

I appreciate the opportunity to present my views on amendments to the Sugar Act which expires June 30, 1962, and with particular reference to adding domestic producers of sugarcane and sugarbeets and with emphasis on new growers and new areas.

Now the question our people in Kansas want to ask is: Where are we going to get our sugar supplies during the next war, or any great national emergency. During the last war Cuba was supplying us with 3 million tons, which was their quota, we called on them for another million tons, and it was furnished. Cuba being only 90 miles from our shore, yet a sugar rationing was put on immediately, and you each remember the shortage. But now—no Cuba for these supplies. Our domestic production of 4,400,000 tons, of which 3,500,000 would be produced on continental United States, would be the extent of our sugar, and with 75 percent of our sugar refineries being vulnerable to attacks, this amount could be cut down considerably.

At this time I wish to refer to an address by Lawrence Myers, Director of the Sugar Division, Agriculture Stabilization and Conservation Service, U.S. Department of Agriculture, before the Sugar Club, New York City, Thursday, February 15, 1962, which is printed in Sugar Reports No. 118, dated February 1962 by U.S. Department of Agriculture, Washington, D.C.

Page 9: "In the postwar period under the Sugar Act 1948, emphasis was placed upon the dependability of Cuban supplies. Pre-Castro Cuba had stood beside the United States and had supplied us sugar at reasonable prices during the two world wars and was destined to do so during the period of fighting in Korea and during the Hungarian-Suez crisis. It was recognized, therefore, that the quota premium at that time not only constituted foreign aid but also provided supply insurance. Cuba, producing 6 million tons of sugar annually and located 90 miles off our shore, had the ability and willingness necessary to guarantee supplies for the American market. No other country has that ability. Alternative suppliers have small reserves, are located far away or both."

Page 10: "Our sugar program has worked. Domestic producers have enjoyed the benefits of price stability and domestic consumers have enjoyed adequate and stable supplies. Not surprisingly, therefore, it is asked 'why rock the boat'? The answer is Mr. Fidel Castro. He and his fellow Communists not merely rocked the boat, they have sunk it. Almost immediately after Castro came to power in January 1959, Cuba started to shift its sugar economy into Communist orbit. This country reacted slowly. However, it finally recognized that Cuba was no longer a dependable source of supply for sugar and in July 1960 provided that supplies should come from other sources. The United States must readjust its thinking on the entire sugar program to the realities of today."

Page 11: "As sugar people, you members of the Sugar Club have only incidental interests in the cost and foreign relations aspects of the sugar program. Therefore, let us examine the matter now from the more narrow standpoint of its effects on our sugar supplies and sugar trade. While the United States obtained 3 million tons of sugar annually from Cuba and could obtain practically unlimited additional quantities when needed, it was not vital whether some of our other suppliers marketed their sugar early or late, or whether they filled their quotas in whole or in part. With Cuba in the Communists' hands, this country has lost its ever-dependable sugar bowl and the governor on its sugar market. We must now go to smaller suppliers frequently in faraway places. Sugar could be shipped from Cuba to New Orleans over a weekend or to north of Hatteras refiners in 4 to 6 days. An important part of our substitute supplies last year were on the water 4 to 6 weeks. In fact, some of the sugar reallocated on June 1 did not start to arrive until October."

Page 12: "We must now attempt to anticipate our supply requirements months in advance. However, leadtime is not all that we need. Who among you forecast the outbreak of fighting in Korea or the Hungarian revolt 4 months in advance? Each brought on a wave of sugar buying. Who is going to tell us the exact level of demand 4 months from now and 4 months from tomorrow and from tomorrow's tomorrow. Perhaps, as has been suggested, you refiners

will be prepared to build huge warehouses and carry reserve supplies to meet unforeseen upsurges in demand. Either we must carry huge stocks of sugar in this country to meet such requirements or we must have flexibility in obtaining supplies from foreign countries. The third choice is to endanger our supplies. Today our important supplies are divided into a number of watertight compartments. This is necessary if the present quota system is to be effective in supporting prices but it involves risk to long and thin supply lines."

Page 14: "In the past year we have had a large measure of good luck and most of our foreign suppliers have shown the desire to cooperate. Even so, receipts tended to be inadequate in the early summer and threatened to become excessive at the end of the year. Worse yet, the market was adversely affected for a number of weeks by assurances of sugar that did not exist and that could not be supplied."

I think that experience of last summer is an excellent example of what the sugar industry must anticipate in the future if the sugar program remains unchanged. Inevitably, some countries will be excessively optimistic about their abilities to supply. Inevitably, sugar from some distant sources will fail to arrive when it is most needed. The authority is not in our hands to control the monsoons or storms at sea, to prevent port congestion or labor difficulties, or to determine foreign decontrol actions or prevent internal strife in countries abroad. Either we must allow for shortfalls and poorly timed arrivals by higher quota figures, which may depress prices, or we must face the danger of shortages. Twice during the past month foreign developments have placed our sugar supplies in jeopardy. The more dramatic time was when the market feared that the short-lived coup d'etat in the Dominican Republic might cause us to lose Dominican supplies. Equally important, however, was the slow selling of Philippine sugar that preceded devaluation in that country. Such difficulties are inevitable when we attempt to give to each supplier and potential supplier throughout the world a fragment of a quota designed to meter sugar into the United States from the mountainous supplies of Cuba.

Now gentlemen you can see the situation we are in for the future. Mr. Lawrence Myers knows the truth of the Sugar Act, and from these paragraphs I have quoted to you from his speech, he is painting a very dark picture. We are at peace in the world at present and the shipping lanes are all open. In case of another war a few submarines would block this shipping, and not one shipload of sugar would arrive from foreign soil.

As our legislative bodies have the destiny of our country in their hands, let them not overlook the fact that our own economy and security measures should come first by all means.

We reluctantly agree with the bill H.R. 12154 except there is not sugar enough allowed for new areas and growers.

Mr. Chairman, it is necessary for the Congress to assume the responsibility of writing a sound long-term Sugar Act. One that would provide a substantial growth of sugarbeets in the State of Kansas, along with other States and areas, that are desiring to provide sugar. And this can only be done by allowing 100 percent of the growth factor instead of only 63 percent to domestic growers. That is what we endorse at this time to give new growing areas 85,000 tons of sugar each year.

I thank you for allowing me to appear before your committee.

The CHAIRMAN. The next witness is Mr. Charles H. Schenk, Sr., of the Wabash Valley Sugar Beet Growers Association.

Mr. Schenk, will you come forward and take a seat, sir.

STATEMENT OF CHARLES H. SCHENK, SR., PRESIDENT, WABASH VALLEY BEET DEVELOPING ASSOCIATION

Mr. SCHENK. Mr. Chairman, I appreciate the opportunity to appear before you and your committee to express the view of the farmers of our organization.

I am Charles H. Schenk, a farmer of Vincennes, Ind., and I have farmed for many years and at the present time am president of the Wabash Valley Beet Developing Association.

This association represents an area of southwestern Indiana and southeastern Illinois comprising 15 counties with a membership of several thousand members. This area has an unlimited amount of ground water for irrigation, and natural resource has never been used adequately. (Any business to operate efficiently should take advantage of all natural resources available.) Sugarbeets will make efficient use of these resources.

We farmers believe that a larger percentage of the U.S. sugar supply should be produced by domestic beet and mainland cane growers and that provision should be made to allow part of this increase to come from new sugar-producing areas.

A strong agriculture is basic to the continued success of our American economy and it is in the public interest for consumers to have a safe, dependable supply of sugar.

The broad purpose of sugar quota laws has generally been regarded as being to provide U.S. consumers with a safe and adequate supply of sugar at prices which would both maintain the domestic sugar industry and be fair and reasonable to consumers. An additional purpose of sugar quota legislation has been to promote the export trade of the United States.¹

Our sugar program has worked. Domestic producers have enjoyed the benefits of price stability and domestic consumers have enjoyed adequate and stable supplies. Not surprisingly, therefore, it is asked "Why rock the boat?"

The answer is Mr. Fidel Castro. He and his fellow Communists not merely rocked the boat, they sank it.

Almost immediately after Castro came into power in January 1959, Cuba started to shift its sugar economy into the Communist orbit. This country reacted slowly. However, it finally recognized that Cuba was no longer a dependable source of supply for sugar and in July 1960, provided that supplies should come from other sources. The United States must readjust its thinking on the entire sugar program to the realities of today.²

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID AGRICULTURE

Increased domestic sugar production would aid parts of American agriculture. Our agriculture is the envy of much of the world. It is basic to our economy and has helped make us the best fed and clothed Nation in the history of mankind.

It must remain strong if we are to continue to progress. Largely because of the productivity of our agriculture, we free men from the land, to make the conveniences and luxuries we all enjoy. We now have only 9 percent of our population on farms as contrasted to 45-50 percent in Russia.

Our farmers have increased productivity marvelously in the last two decades. Since World War II, farm output has gone up about one-fourth with no increase in total inputs.

Also, food processing industries have increased their output per man-hour by 40 percent.

¹ "Special Study on Sugar," committee print, 87th Cong., 1st sess., Feb. 14, 1961, p. 14.

² Address by Lawrence Myers, Director, Sugar Division, U.S. Department of Agriculture, before the Sugar Club. Sugar Reports, No. 118, February 1962, p. 10.

Thus, the American economy grows and the American consumer gains. No other consumer in the world gets such a break.

American families buy more food, of better quality and wider variety, than any other families in the world, and do it at less cost in hours of work than any other families in the world.

It is important that we keep this marvelous production plant strong.

At the present time we have surplus production in agriculture, and agriculture is depressed.

Grain prices per bushel—furnished by Igleheart Bros. Elevator of Evansville, Ind., which is one of our largest and oldest companies and they are very dependable and we selected the date and used the same date in all 10 years and this is what we found.

In a 10-year period we had a loss in price of wheat of 50 cents a bushel which is 22-percent reduction.

In corn we had a loss of 58 cents a bushel which was 35-percent reduction.

In soybeans we had a 67-cent loss which is 25-percent reduction.

	Wheat	Yellow corn	Soybeans
Nov. 1:			
1951.....	\$2.33	\$1.53	\$2.69
1952.....	2.12	1.43	2.62
1953.....	1.75	1.28	2.53
1954.....	2.00	1.25	2.68
1955.....	1.85	.97	2.05
1956.....	2.11	1.12	2.16
1957.....	1.96	1.01	2.02
1958.....	1.68	.95	1.86
1959.....	1.78	.97	1.99
1960.....	1.79	.89	1.96
1961.....	1.83	.95	2.02

Resources will have to be moved out of agriculture if we don't find uses for them. This will be costly, in terms of uprooting families, disrupting local communities, and refraining workers. To use some of these surplus resources in producing sugar should help keep agriculture strong while protecting our sugar supply. It would also help provide employment in rural areas where much surplus labor and low income exists and reduce costs of our aid to agriculture.

Increased farm and service labor would be employed. The number of local service jobs of all kinds is closely associated with the number of people employed in manufacturing.

In a rural town the ratio of manufacturing to service employment is about 1 to 1.

With this ratio in mind, the employment growth of rural areas because of an expanded sugar industry will very probably be increased by between one and two service jobs for every manufacturing employment opportunity created.

Our Government is making sizable payments to keep agriculture strong. According to J. C. Bottum, noted Purdue agricultural economist,

The United States is spending between \$4 to \$5 billion annually in order to balance our agricultural production and markets, through programs of increase outlets and programs to adjust supply.

To use some of our surplus agricultural resources in producing sugar should help balance our maladjustment of resources in agriculture while protecting our sugar supply and keeping agriculture strong.

Research has been largely responsible for our outstanding agricultural productivity. If major research efforts were directed to the sugar industry it is probable, based upon experience with broilers and other agricultural products, that the United States could become one of the low-cost sugar producers of the world while maintaining the high standard of living of American workers.

Technological advance has already been rapid for domestic sugar crops. Man-hours of labor required to produce a ton of sugar have been sharply reduced in the past decade and mechanization has been rapid. Yields per acre have risen a fourth or more since the end of World War II in mainland sugarbeet and sugarcane areas and in Hawaii.³

It might be well to use more of our fine research facilities to improve sugar production instead of crops that are in surplus.

We must keep our research scientists working to take care of our expanding population and keep us ahead in the food and fiber production.

NEW AREAS CAN PRODUCE SUGAR EFFICIENTLY

Some areas have shown high ability to produce. Tests conducted by the University of Arizona have shown yields as high as 37.8 tons of beets per acre and sugar yield of 5.6 tons of sugar per acre.⁴

The 1960 U.S. average yield under irrigation was 19 tons of beets per acre.⁵

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID INDUSTRY

The administration is urging industrial expansion and increased employment. Expansion within the sugar industry would help meet this goal. It would help provide work in some rural low-income areas. Increased employment resulting from a new \$12 million to \$18 million sugar plant in an area, use of local land, equipment, and supplies would all be beneficial.

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID CONSUMERS

Cuba has been a major supplier of sugar to the United States from the beginning of our modern sugar economy.

In recent years, prior to mid-1960, our imports of sugar from Cuba amounted to over 3 million tons annually, about one-third of total consumption in the United States and some two-thirds of all sugar imported from foreign areas. The Cuban sugar trade with the United States has now been redirected toward the Communist bloc.⁶

The United States sold sizable quantity of wheat and lard to Cuba and imported sugar from them so they could buy our wheat and lard.

³ "Special Study on Sugar," committee print, 87th Cong., 1st sess., Feb. 14, 1961, p. 3.

⁴ "Results of Beet Test," Safford Experiment Station, University of Arizona, Tucson, Ariz., 1962.

⁵ Address by Tom O. Murphy, Deputy Director, Sugar Division, U.S. Department of Agriculture, at Kansas City sugarbeet seminar, "Sugar Reports," No. 118, February 1962, p. 19.

⁶ "Special Study on Sugar," committee print, 87th Cong., 1st sess., Feb. 14, 1961, p. 1.

For years, Cuba was the largest market in Latin America for U.S. agricultural products, notably rice, lard, wheat, and wheat flour. This market has been lost to the United States and it appears desirable to offset this lost market by producing more sugar domestically.

An increase in domestic production would help provide a dependable domestic supply of sugar in the event of an international emergency, thus aiding consumers and following the purpose of the sugar laws.

SUMMARY

We growers of agricultural commodities appreciate the help given to the American farmer by the USDA and the Congress of the United States.

Many billions of dollars have been appropriated and research and educational programs have been supported. Land has been taken out of production with the aid of Government payments. However, surplus products still depress prices. The farmer has a low income compared to incomes of others.

Increased production of sugar within the United States would strengthen the economy of American farmers in new growing areas. It would help balance our maladjustment of resources in agriculture, help keep agriculture strong, and protect our sugar supply.

We believe that H.R. 12154 does not give adequate recognition to new sugar-producing areas.

We strongly recommend that the sugar bill provide that all of the annual growth in sugar requirements, about 9,700,000 tons (the "growth factor"), be retained for the domestic beet and mainland cane growers, to be divided 75 percent beets and 25 percent cane, and that new growing areas be granted annually 85,000 tons or such acreage as would yield 85,000 tons of sugar.

This would provide for reasonable growth in established sugar-producing areas and at the same time provide sufficient tonnage for at least two new growing areas annually.

In addition to Indiana and Illinois, the States of Maine, New York, Texas, Missouri, Arizona, New Mexico, Oklahoma, and others all without processing mills, as well as Kansas, Nebraska, Minnesota, California, Michigan, and Washington, all desiring additional processing mills, and Florida and Louisiana desiring quotas for newly constructed refineries are all insisting upon the right to produce sugar.

You should know that it's not just the farmers in these States, but the businessmen, the bankers, real estate, insurance, grocery men, and professional men are serious in the same manner.

Research has shown that many new areas can produce sugar profitably at present price levels. We urge you to give this opportunity to the American farmer.

I thank you.

The CHAIRMAN. Thank you very much.

Senator CARLSON. Mr. Schenk, I believe you are recommending that the sugar bill provide that all the annual growth in sugar requirements be retained for the domestic beet and mainland canegrowers, is that correct?

Mr. SCHENK. That is right.

Senator CARLSON. And your reasons for that?

Mr. SCHENK. Well, there are several reasons: The first would be that we feel as though the American farmer might be able to have a better title to the growth factors since it is something that is accumulated within the increase in population within the United States. That is one.

Second, we think the American farmer has a greater vested interest in greater domestic production due to the fact he is retiring a certain amount of his crop acres to comply with the Federal farm program.

Third, would be this: That, as you know, in the last few years we have acquired better mechanized equipment to grow sugarbeets and sugarcane, and now we can eliminate most of the hand labor we used to have, which makes this crop more suitable to the American farmer.

I think that is about the three reasons I would suggest.

Senator CARLSON. Thank you very much.

Senator BENNETT. May I ask a question?

The CHAIRMAN. Senator Bennett.

Senator BENNETT. The other four witnesses who have been farmers have told us about the actual number of acres available in their area which are already irrigated. You refer to the existence of ground water which could be used for irrigation. Are there many irrigated acres in your area?

Mr. SCHENK. Yes. They have tried to irrigate corn and alfalfa. We have, oh, I would say it is, probably several hundred ground wells that had been pumping water but it has got to the point that corn is so cheap you just can't afford to irrigate corn any more and that is one of the reasons.

I would like to explain a little more about this ground water. This is unusual and if we are going to operate a farm efficiently we must use this. Now we are using it on potatoes. Just think of this, this entire glacier formation of the Wabash Valley, on my farm it is only 6 feet to ground water and on most farms, I would say the entire valley, would be 20 feet to ground water. Our geologists say there are unlimited amounts. If we are going to farm our land efficiently we are going to have to use all these resources.

Now, gentlemen, we are growing potatoes, we are growing bunch beans, we are growing bunch beans on my farm today because of the benefit of these resources, and alfalfa, but most of the crops that we are growing are not profitable.

As you notice that table of prices I gave you just doesn't make it profitable to irrigate it, so we have to find new crops which would be profitable to irrigate.

Senator CURTIS. Are you raising beets now?

Mr. SCHENK. Through the universities—Illinois University and Purdue University are carrying on experimental work in about 15 counties extensively and in many other counties in limited amounts.

Senator CURTIS. But there is no actual production?

Mr. SCHENK. No. We hope that through the help of your committee, the Members of the Senate and Congress will provide a provision within the Sugar Act that when we do find, and we have every indication to believe we can, I will mention that in a minute, that there will be a provision, when we are ready that we could get an allotment.

I just returned from Ohio in comparing the beets in northwestern Ohio with the plots we have in Indiana, and they compare very favorably.

I just had a friend return from Denver in looking over the beets in the State of Colorado, and that was his purpose out there and he came back and reported to me that the beets in Colorado were just about the same as those in Indiana.

So we have had men from sugar companies investigating our area and they talk very favorably about it but as you know we are not ready to go into production until we carry on more experimental work.

But we do have great hopes.

Senator BENNETT. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Schenk.

Mr. SCHENK. Thank you.

The CHAIRMAN. The next witness is Mr. Earl R. Boyce, of Palm Beach, Fla. Have a seat Mr. Boyce.

STATEMENT OF EARL BOYCE, OF PALM BEACH, FLA.

Mr. BOYCE. My name is Earl R. Boyce. I am an attorney from Palm Beach, Fla., and I am appearing on behalf of the following canegrowers in Florida: Dr. A. F. Saunders, H. T. Seely, J. J. Herring, E. J. Miller, Arrow Sugar Corp., Warren North, R. N. Bass, Marion Widden, Dr. Mendoza, A. L. Lee, and A. W. Waldron.

The acreage of new cane planted by the above growers before April 15, 1962, varies from 12.60 acres as the smaller ownership, to 634.75 as the larger ownership. These small growers are all located in the area south of Lake Okeechobee, Fla.

There are many small canegrowers in the South having new cane acreage planted before April 15, 1962, when there were in effect no restrictions on planting. This was under notice published in the Federal Register by the Secretary of Agriculture in 1962. The best information available from the Department of Agriculture is that such new canegrowers may be able to process 80 percent of such production and at best only 90 percent in 1963 and 1964.

Nowhere in the transcript of the hearings before the House Agriculture Committee, or in the committee report (No. 1829) has the Department of Agriculture set out the precise formula under which allocations to new acreage will be made under the act. It is important to all interested parties that the Department of Agriculture make known specifically the formula on which such allocations will be made so that a new grower may be able to arrive at a fairly accurate idea as to how the new acreage will be treated. Unless the allotments or quotas will allow the small new cane producers to process and market their entire production, they cannot possibly continue in business. It appears inconsistent and unfair under the proposed legislation to leave the possibility that small domestic producers may be substantially cut back or forced out of business completely.

The record is not clear, so far, as to precisely how small new growers, whether of beet or cane, will be treated under allocations by the Department of Agriculture.

It should be made clear as to the exact formula which the Department of Agriculture would use or follow in arriving at an allocation to a new grower of cane. We do not know how the Department would apply allocations or quotas to a small new cane grower.

It would be cleared up if the Department would apply its formula for arriving at an allocation for these small new growers to a small grower of 500 new acres of sugarcane and show how such allocation would be made under the bill adopted by the House. Would this formula be followed in each such case of these small new cane growers?

We need some assurance from those who would administer this act that a new grower will not be cut back simply because he is a new grower.

I understand some persons are proposing that the Department should cut back new growers in a larger percentage than old growers.

We request the committee to obtain assurance for these small new growers that acreage of new and old domestic growers will be given equal consideration in allotments and cutbacks so that these small new growers will not be discriminated against.

We submit that the problem of these new small cane growers can also be solved by setting aside a larger amount of tonnage for allocation of new mainland growers. This small amount of additional tonnage can be obtained from a small portion of the amount which was previously allocated to Cuba.

The CHAIRMAN. Thank you very much, Mr. Boyce.

The next witness is Mr. Joseph M. Creed of the Industrial Sugar Users Group.

Take a seat, sir.

STATEMENT OF JOSEPH M. CREED, INDUSTRIAL SUGAR USERS GROUP

Mr. CREED. Mr. Chairman, and members of the committee, I think that I can say before I commence my statement that I am presenting, after hearing the other witnesses, definitely a minority point of view.

I am counsel for the American Bakers Association and the Biscuit and Cracker Manufacturers' Association, both of which organizations are members of the Industrial Sugar Users Group whose views I am presenting here today.

The Industrial Users subscribing to this statement are:

American Bakers Association.

American Bottlers of Carbonated Beverages.

Associated Retail Bakers of America.

Association of Cocoa and Chocolate Manufacturers of the United States.

Biscuit and Cracker Manufacturers' Association.

Flavoring Extract Manufacturers Association of the United States.

International Association of Ice Cream Manufacturers.

National Bakers' Suppliers Association.

National Manufacturers of Beverage Flavors; and

National Preservers' Association, Inc.

When the hearings on sugar legislation were held before the Agriculture Committee of the House, we supported H.R. 11725, introduced by Congressman Thomas G. Abernethy.

Inasmuch as the Agriculture Committee and the House have acted upon a bill, and the time available to this committee is short to consider all the aspects of the Abernethy bill, I shall discuss only one provision of that bill as a proposed amendment to H.R. 12154, as passed by the House.

I ask, however, with the consent of the committee, that my full statement presented to the House Agriculture Committee be incorporated as a part of the record and proceedings of this hearing.

The CHAIRMAN. Without objection it will be inserted following your oral presentation.

Mr. CREED. The amendment which we are urging here today is simple in its context, but we consider it to be of major importance for the benefit of industrial users and all other consumers of sugar in the United States.

Some 70 percent of all the sugar used by consumers is received through products manufactured by the various industrial sugar users.

Only 30 percent of the sugar which the ultimate consumer uses is bought by him in the form of sugar.

It is important, therefore, that there be made available to industrial users, and through them to the consumers of the United States, an adequate supply of sugar at reasonable prices, at all times and under all conditions.

H.R. 12154 is extremely generous in its provisions for domestic sugar producers and processors. It will increase their share of the domestic market from the 55 percent provided in the 1956 amendments to 63 percent of all our sugar requirements in excess of 9,700,000 tons.

This is an increase of over 20 percent in the percentage of the market which the domestic sugar industry will take over in the years ahead, as compared with their share of the market when the Sugar Act was passed in 1948—an increase wholly unjustified, in our opinion, since it can be provided only under heavy subsidies.

It is pertinent to point out that the chairman of the House Agriculture Committee in the debate in the House on this bill on Monday, recalled the admonition of President Roosevelt when he signed the first sugar bill, that this production in the domestic area should not be increased because, as Mr. Cooley correctly observed:

It is uneconomical to produce it domestically. It has to be on an artificial basis.

As American manufacturers, even as the domestic sugar processing industry who are also manufacturers, we have no objection to their growth.

However, it must be borne in mind that the domestic sugar processing industry grows at the expense of the taxpayer and sugar consumer, because of the heavy subsidies paid to the industry year in and year out.

The users of sugar receive no subsidies of any kind, nor are they seeking any; but we believe this committee in acting upon this legislation should not forget for one moment that to the extent it permits

the expansion of the sugar industry, to that extent it is imposing a further tax burden upon the consumers in this country.

For that reason, we believe the domestic production should be kept at its present level of 55 percent of the market.

The argument is frequently heard from the proponents of this ever-increasing expansion of the domestic sugar industry that these Sugar Act payments cost nothing because the total taxes taken in over the years have exceeded the total payments—indeed the Treasury has benefited by the surplus, so that it has cost nothing for these payments.

The sophistry of such an argument should be apparent.

Obviously, the taxes come from somewhere and, necessarily it must be the consumer.

Additionally, it is frequently stated that the success of this program should be measured by the painlessness of it. The housewife is unaware, it is said, that such a program exists, because she has never felt it.

This argument can be likened to that of the dentist who extracts a tooth painlessly. True, the patient does not feel the pain of the extraction but the incontrovertible fact is that the tooth has permanently left the patient's mouth. In this case—a sweet tooth.

With its own peculiar form of social security, the sugar industry is nurtured by the Government from the moment of conception to the moment of consumption of its product by the consumer.

The industry is told by the Government how much it can plant; the wages to be paid; the conditions under which it will operate; how much sugar it can produce and sell; and through the manipulation of quotas, the return on its investment is guaranteed. It is as completely insulated from the vagaries of the marketplace as can be.

With all these protective features for the sugar industry written into the act, it is somewhat difficult to provide for the protection of consumers, although the act states this to be one of its primary purposes.

Indeed, the ranking minority member of the Agriculture Committee, Mr. Hoeven, advised his colleagues of the House during the debate on Monday as follows:

Let us not forget the main objective of this sugar legislation is to provide an adequate supply of sugar at all times to our growing population at reasonable prices to the consumers.

It is essential, it seems to us, that if the Congress desires to continue to enlarge this bonanza for the domestic producers, that it provide a minimal amount of insurance for the consumer, so he will be assured of an adequate supply of sugar at reasonable prices under all conditions. To accomplish this, we propose that the following amendment be incorporated into the bill passed by the House.

On line 17 of page 2, strike the period and insert the following:

: *Provided, however,* That the total amount of sugar needed to meet requirements of consumers in the continental United States shall not be less than the amount required after allowances for normal carryover, to give consumers of the continental United States a per capita consumption of 100 pounds.

As can be seen, this provides for only 100 pounds as a minimum level, whereas the House report on page 21 points out that in no year since the passage of the Sugar Act of 1948 has sugar distribution averaged less than 101 pounds per capita; and for the last 5 years, it has averaged 103.6 pounds per capita.

It may be asked why it is necessary to include such a provision if the annual average has been in excess of 100 pounds.

The answer is, Mr. Chairman, that during some of these years the Secretary has deliberately set the quota below the 100-pound mark to increase sugar prices.

This avoids the congressional intent of protecting the consumer.

Secondly, this provision will specifically indicate to the Secretary that the Congress wants this amount of sugar available to consumers at all times during the year.

We submit that this minimum level of 100 pounds will not interfere with the administration of the Sugar Act.

In fact, the Director of the Sugar Branch, Mr. Lawrence Myers, has indicated that the Department could live with such a provision.

We strongly urge, therefore, that this committee, to protect the consumers of the United States, as well as the growers and sugar processors who will benefit so handsomely under the terms of H.R. 12154, include this amendment in this bill which it reports to the Senate.

Mr. Chairman, we thank you and the members of the committee for giving us this opportunity to present our views on this important legislation.

The CHAIRMAN. Thank you very much, sir.

Senator CURTIS. Mr. Chairman, I have a few questions.

The CHAIRMAN. The Chair recognizes Senator Curtis.

Senator CURTIS. You represent the American Bakers Association?

Mr. CREED. Yes, Senator.

Senator CURTIS. They have members in Nebraska?

Mr. CREED. Yes, Senator.

Senator CURTIS. Who are they?

Mr. CREED. We have Peter Pan Bakeries in Omaha; we have Continental Baking Co. I don't have a list of the complete membership.

Senator CURTIS. Do they concur in your statement here, in your attack upon the domestic sugar industry?

Mr. CREED. It is my understanding that our membership entirely supports our views with respect to sugar legislation.

Senator CURTIS. Do they support your position? What you have said about the domestic sugar industry, these Nebraska concerns?

Mr. CREED. I have no reason to believe to the contrary, Senator.

Senator CURTIS. Do you have any members of the American Bottlers of Carbonated Beverages in my State?

Mr. CREED. I am sure there are several.

Senator CURTIS. Would you name them?

Mr. CREED. I do not know their names but there is a representative here from the American Bottlers Association who can if you wish.

Senator CURTIS. I wish you would supply them for the record, the Nebraska members.

Mr. CREED. I would be glad to do that, Senator.

Senator CURTIS. How about the Associated Retail Bakers of America, do they have any members in my State?

Mr. CREED. Yes, Senator, they do.

Senator CURTIS. How about the Association of Cocoa and Chocolate Manufacturers of the United States, do they have members there?

Mr. CREED. I don't know.

Senator CURTIS. The Biscuit and Cracker Manufacturers Association?

Mr. CREED. Yes, Senator.

Senator CURTIS. And these other groups, I wish you would supply the names of the businesses in the State of Nebraska for whom you speak. I have no feeling whatever that any of them would concur in your observations about the domestic sugar industry.

(The information follows:)

NEBRASKA SOFT DRINK BOTTLERS HAVING MEMBERSHIP IN THE AMERICAN
BOTTLERS OF CARBONATED BEVERAGES

NEBRASKA

Alliance:

Pepsi-Cola Bottling Co., 102-10 Cheyenne Avenue
Seven-Up Bottling Co. of Alliance, Inc., 102 Bighorn Avenue

Beatrice:

Coca-Cola Bottling Co. of Beatrice, Inc., 720 Irving Street
Dr. Pepper Bottling Co., 306 West Court Street

Columbus: Coca-Cola Bottling Co. of Columbus, Nebr., 1069 17th Avenue

Falls City: Coca-Cola Bottling Co. of Falls City, 705 Morton Street

Fremont: Fremont Coca-Cola Bottling Co., 701 Dodge Street

Grand Island:

Grand Island Bottling Co., 645 South Locust Street
Pepsi-Cola Bottling Co., North Highway 281, Route 1 (Box 169)
Squirt Bottling Co., Inc., 1203 West North Front Street

Hastings: Pepsi-Cola Bottling Co., 315 West South Street

Holdrege: Coca-Cola Bottling Co., 223 West Avenue

Humboldt: Pepsi-Cola Bottling Co., Post Office Box 66

Kearney: Midway Coca-Cola Bottling Co., 119-25 Railroad Street, North

Lincoln:

Coca-Cola Bottling Co. of Lincoln, 2120 "G" Street
Dr. Pepper Canada Dry Bottling Co., 1001 "L" Street
Lincoln Bottling Co., 6322 Havelock Avenue
Pepsi-Cola Bottling Co. of Lincoln, 711 South 25th Street
Seven-Up Bottling Co., 2409 "O" Street

Long Pine: Coca-Cola Bottling Co. of Long Pine

McCook: Stevens Seven-Up Bottling Co., 216-22 West First Street

Nebraska City: Nebraska City Coca-Cola Bottling Co., 213 Central Avenue.

Norfolk:

Norfolk Bottling Co., 108-10 Norfolk Avenue
Norfolk Coca-Cola Bottling Co., 816 Northwestern Avenue
Quality Beverage Co., Incorporated, 600 Omaha Avenue
Seven-Up Bottling Co. of Omaha, 1001 South 13th Street

North Platte: Coca-Cola Bottling Co., 210-09 North Dewey Street

Omaha:

Omaha Coca-Cola Bottling Co., 3200 North 30th Street
Independent Bottling Co., 4809 South 20th Street
Metz Brewing Co., 210 Hickory Street
Pepsi-Cola Bottling Co. of Omaha, Inc., 4603 South 72d Street
Royal Crown Beverage Co., 911 North 24th Street
Seven-Up Bottling Co. of Omaha, 2526 Dodge Street
Whistle-Vess Bottling Co., 1127 North 18th Street
Willow Springs Bottling Co., 1813 California Street

Scottsbluff: Coca-Cola Bottling Co. of Scottsbluff, 1328 Avenue "A"

Seward: Husker B-1 Bottling Co., 629 Jackson Avenue

Sidney: The Seven-Up Bottling Co., Inc., 809 15th Street

Superior: Superior Coca-Cola Bottling Co., 200-06 National Avenue

York: Squirt Bottling Co., 419 Grant Avenue

Senator CURTIS. Now, is anybody subsidizing the sugar that any one of these concerns is using?

Mr. CREED. Yes, sir.

Senator CURTIS. Who is?

Mr. CREED. The Government and the taxpayer.

Senator CURTIS. Well, what concern are you speaking of, do you know of any particular bakery that doesn't pay for their own sugar?

Mr. CREED. They pay for their own sugar, Senator, but the prices they pay reflect the subsidies that are paid to the sugar industry.

Senator CURTIS. Well, the consumer pays for his own sugar; isn't that right?

Mr. CREED. That is correct.

Senator CURTIS. The sugar is not subsidized by the Government. The consumer pays the full price, isn't that correct?

Mr. CREED. The consumer pays the full price but there are payments made to the processors and the beetgrowers, conditional payments under the Sugar Act, which are reflected in the price that the consumer pays.

Senator CURTIS. Well now, how much has that price of sugar varied, say, since 1948? How much have transportation costs gone up for the people you represent since 1948?

Mr. CREED. Considerably.

Senator CURTIS. And how much has wages gone up?

Mr. CREED. Considerably.

Senator CURTIS. How much have local taxes gone up?

Mr. CREED. I presume they have followed the upward trend.

Senator CURTIS. And how much—income taxes, too, have gone up, haven't they?

Mr. CREED. I believe they have stayed at 52 percent.

Senator CURTIS. And social security taxes have gone up. The general commodity index has gone up.

Mr. CREED. Senator, I don't dispute any of those statements. Everything has gone up in costs. We don't argue that that is not the case.

But what we would like to point out is that every little thing that comes along, whether it be through the form of subsidized sugar production, whether it be in the form of higher wages or anything else, all adds to our costs of operation, and our objection is to this continued pushing by Government legislation to increase our costs.

Senator CURTIS. I do not concur at all with you in your quoting of Franklin Roosevelt that the domestic industry is uneconomical, it is on an artificial basis. I do not believe your portrayal of the operation of the Sugar Act is accurate.

I would doubt very much if the members of the various associations for whom you speak who reside in my State, would concur in the picture you have painted of the operations of this act or the recommendations you make.

I don't—I apologize if I have embarrassed you personally, but I don't believe your premise can be sustained by the facts.

Mr. CREED. Senator—

Senator BENNETT. Will the Senator yield?

Mr. CREED. Senator, you haven't embarrassed me personally but I must respectfully disagree with your conclusions. I think the members of our organization in your State do agree with me.

Senator CURTIS. I doubt if you can get any of them to send you a communication in opposition to sugarbeet expansion in the State of Nebraska. I doubt if you can get any one of those to send you a communication opposing the great sugar industry that we have there in the western part of the State now.

Mr. CREED. Senator, would the industry be willing—

Senator CURTIS. You have picked out a flyspeck in the commodity index and have come in here with a recommendation against a minority, it is a tiny minority, producing, processing sugar, when if I understand your testimony correctly, the other costs which you people, increased costs which you people have suffered are many times greater.

Mr. CREED. I wouldn't deny that, either, Senator, but at the same time, as I pointed out before, it is the sum total, the aggregate of all these increased costs that push our costs up, and we believe that with available sugar from the world market which can be made available here at a lower price that—

Senator CURTIS. Why not have available beverages from the world market, and available bake products?

Mr. CREED. We have them.

Senator CURTIS. From the world market?

Mr. CREED. In fact, bread is on the free list under the Tariff Act; we would appreciate it if that could be altered but the Congress doesn't see fit to do that.

Senator BENNETT. Will the Senator yield?

Senator CURTIS. Yes.

Senator BENNETT. Will you ask the witness if he will supply for each of the organizations he represents a comparison of the increase in the price of sugar since 1948 and the increase in these other costs of doing business so that we can see what a flyspeck this is in terms of increase?

Now, we had a witness here this morning who said that increase was 2 percent. I don't know whether that is accurate or not. But if the increase in the price of sugar since the end of World War II is anywhere in the nature of 2 percent, this will be a very, very small fraction of the other increases in the cost of business, so small as to be completely negligible.

Mr. CREED. I think the record will show, Senator, that it is more than 2 percent. At this point I am not prepared to say by how much, but I am pretty sure it is more than 2 percent.

Senator BENNETT. Would you be able, speaking officially for these companies, to compare the increase in the cost of sugar with the increase in the cost of the other things that go into the cost of doing business.

Mr. CREED. I think we can develop something along that line, Senator.

(Mr. Creed subsequently advised the committee that it would require several weeks to compile the information requested; thus it could not be submitted in time to be printed in the record. When he has the completed data he will submit copies to Senator Bennett and the committee.)

Senator CURTIS. I have nothing further, Mr. Chairman.

Senator LONG. Mr. Chairman.

The CHAIRMAN. Senator Long.

Senator LONG. As I understand it the position you are advocating is that the principles of complete free world trade be applied to this industry, if I understand it?

Mr. CREED. I am sorry, Senator, I didn't hear you.

Senator LONG. If I understand it, you are advocating that the principles of complete free trade be applied to the sugar industry in this country?

Mr. CREED. I wouldn't say completely free trade.

Senator LONG. What would you like to do? Just terminate the Sugar Act or take off the subsidies and the tariffs that the industry enjoys or would you just want to go half of the way?

My impression is that in my State, as an example, we can't produce sugar any more cheaply than we are doing. We might be able to produce it a little more cheaply but with the wage standards that we have I don't believe we would be able to produce it more cheaply. You want the price to go down to about half of what it is, don't you?

Mr. CREED. Senator, we recognize that the domestic sugar industry needs something beyond the price that the world market sells at to operate. We know that it is not competitive with sugar produced in the world market.

We also believe that there should be a domestic sugar industry. We do not quarrel with that at all.

Senator LONG. How do you want to keep them alive?

Mr. CREED. We would like to see them kept alive. Our objection is to this continued expansion at the subsidy that is taking place under every amendment of the act when it comes up.

Senator LONG. You recognize, don't you, that this Nation is a lot better off for sugar than it is for gold.

We are broke as far as gold is concerned.

Now, at least we are in position to produce all the sugar that we need. Which do we need worse right now in this Nation—sugar or gold?

Mr. CREED. Well, I presume that gold is a very important product that we could use some more of at this point in view of our balance-of-payments condition.

Senator LONG. If we are going to follow your recommendations and bring in more sugar, I can tell you the price is going to go down to half of what it is and our people are just going to have to quit producing; they will just have to close up.

Isn't that going to increase our problem on the balance-of-payments?

Mr. CREED. Senator, I don't think that we would want the price of sugar to go down to half of what it is. We are not advocating anything of that sort. All we are asking, actually, in our proposal to this committee, is that when it reports out of the bill that it put in a provision for the consumer that when the Secretary sets his quota it not be less than 100 pounds per capita.

That is all that we are asking of this committee.

Senator LONG. Well, you just want a major cutback on the industry, I take it, not to put them completely out of business, just a major cutback on them.

Mr. CREED. No, Senator, that is not correct. This is no major cut-back at all.

Senator LONG. If you think the industry is uneconomic, why do you want to save it at all? You have been testifying here the industry is uneconomic. Why do you want to save it?

Mr. CREED. Well, let's put it another way. Would the industry be willing to expand if it did not have the subsidies available to it?

Senator LONG. Well now, would you take the same attitude with regard to every other industry that enjoys tariff protection; in other words, would you be willing to apply your principle generally to all industries?

Mr. CREED. Well, Senator, when you get into the question of protection of any industry, and the subsidies, I think subsidies burden our products. They are like narcotics. They can be helpful, but if you use them too freely, you can destroy the individual that uses them and I am not prepared to make a judgment on every other industry.

I think each one has to stand on the merits of each particular case. But as a general proposition, I think the use of subsidies has to be handled with very great care, and we believe that in the case of the domestic industry, that it is being given more and more subsidized expansion which isn't justified on the basis of the overall supply of sugar that is available to the United States from other countries.

There is a very healthy sugar industry in the United States, and we would like to see it kept that way.

Senator LONG. We just had a bad year, and I think this committee and this Congress and the Department of Agriculture have tried to see to it that sugar would be a healthy industry.

That is one reason why a lot of these people who are producing wheat and corn and other things want to get in the sugar business. They have noticed the sugar industry has been able to keep supply and demand on a level keel, the industry managed to closely control production in years of surpluses—control both acreages and volume so as to remain a relatively healthy industry for both the farmer and for the refiner.

I would hope the producers of other farm commodities could get their houses in order the same way.

Now, if it is found that the world price on wheat goes below what our wheat farmers can produce wheat for, do you think we ought to watch them go out of business or go broke or do you think we ought to try to give them some sort of protection to keep them in business?

Mr. CREED. Senator, you are dealing with sugar, a deficit crop in this country, whereas wheat is a surplus type of crop, and the two aren't strictly comparable.

It is much easier to control supplies of a crop that is in deficit supply than it is one that is in oversupply.

Senator BENNETT. Will the Senator yield?

The witness is anxious to increase the deficit position of the sugar crop.

Mr. CREED. No, Senator, I think that in the interest of consumers we should permit the same percentage to come from offshore as is the case under the present law.

Senator BENNETT. Well, as a matter of fact, doesn't the present law set it up so that the consumer pays the same price for offshore sugar as he does for domestic sugar?

Mr. CREED. Yes, sir.

Senator BENNETT. So, when you say you want to increase the percentage of offshore sugar you must be saying that at the same time you want to decrease the price at which off-shore sugar is available to the consumer, because if he now pays the same price for offshore sugar as domestically produced sugar, then there is no prospect of reducing the price to the consumer just because there is more sugar produced in Mauritius.

Mr. CREED. Well, Senator, under the act previously, Cuba supplied approximately 96 percent of our requirements, and we had this premium arrangement set up principally for the benefit of Cuba.

Now, many other countries are supplying us with sugar, they are getting the benefit of what might properly be termed "a windfall premium." We don't think that that necessarily should be continued, that somehow in the legislation the bill—

Senator BENNETT. The bill before us provides that that windfall would be absorbed by an importation but it is my understanding that the effect of this bill would not be to reduce the level of the price, the price level in the United States, but rather to recapture that premium for the benefit of the Treasury.

Senator DOUGLAS. For the benefit of the taxpayers.

Mr. CREED. I suppose the answer, Senator, is that the Treasury is part of the United States, whereas the premium that goes to these foreign countries has left our shores forever.

Senator BENNETT. That is part of foreign aid. We are going to have to replace it with other dollars we appropriate under another bill. But that is not the point.

The point that I am trying to get at is, you are trying to tell this committee that because there is an increase in the domestic production of sugar, the price will, therefore, go up. Yet the past law, the law we have before us, does not change the price of sugar because of the change in the relationship between the sugar produced abroad and the sugar produced here, unless you want the law changed so that the premium, whether it is paid to foreign producers or whether it is recaptured in terms of an import tax, is in fact, reduced.

Is that what you want to have happen?

Mr. CREED. We would expect that that would be a logical sequence, and to the extent that that is done in the administration's bill, we think it is desirable for the benefit of the consumer.

Senator BENNETT. Is it done in the administration's bill?

Mr. CREED. As I understand it, it would be phased out over a 5-year period.

Senator BENNETT. But that amount would be recaptured by the Treasury. There is no effect on the ultimate cost of the sugar delivered from offshore in the United States as a result of this bill.

Senator CURTIS. If the Senator will yield I think you will find a direct statement in the presentation of the Government yesterday that replacing the premium payment with an import fee would not change the price of sugar here so the witness' testimony amounts to a preference to buy it abroad rather than home at the same price.

Senator BENNETT. That is the way it seems to me.

Senator CURTIS. That is the practical effect of your testimony.

Mr. CREED. I concur with that, Senator, directly it will not and we only get an indirect benefit in that the money is in our Treasury instead of in the hands of a foreign government.

We would prefer it to be reflected in lower prices to the consumer. How that would be brought about, I don't know.

Senator BENNETT. You don't know of anything in the House bill that would bring that about?

Mr. CREED. No, sir.

Senator CURTIS. How much would it reduce the price of the Coca Cola, your proposal, how much will it reduce a pound of cookies?

Mr. CREED. Senator—

Senator CURTIS. If we gave you everything you are asking for here, you know that it wouldn't reduce the price to any consumer; is that true?

Mr. CREED. Senator, it probably wouldn't reduce the price in and of itself.

Senator CURTIS. That is right.

Mr. CREED. But in our industry in calculating the price of our products, they are carried out to the fourth and fifth decimal point and no one thing is going to change the price but the sum total of all the increases bring about your price changes.

Senator CURTIS. I am glad to have your statement but that of itself would not change the price of anything the consumers buy.

Senator McCARTHY. A little more coke in the bottle? [Laughter.]

Mr. CREED. But you add all of these various increases that come from here and there including sugar and, eventually you do get price changes.

Senator BENNETT. I would like to follow up the question that the Senator has because I now have in my hands the 1947 price of sugar, the 1957 price, and today's price.

The 1947 price, according to the study made by the Department of Agriculture, report of the Special Study Group on Sugar of the U.S. Department of Agriculture, was \$6.22 per hundred pounds.

The 1957 price was \$6.24 a hundred, an increase of 2 cents a hundred in 10 years, and today's price is \$6.42 a hundred, that is an increase of 20 cents a hundred or approximately a 3-percent increase over the 1947 price, and in view of that very meager change in the price I can't believe that you are wrestling with the right problem.

You should be more concerned with changes in the cost of labor, with increases in taxes and a lot of other things.

Mr. CREED. We are very much concerned with those areas, labor and taxes, but I would say that on the basis of your statement you would have no objection then to the inclusion of our proposed amendment in the bill.

Senator BENNETT. Well, there are other objections to that but I would like to yield to my friend.

Senator MORRON. I would like to point out before we had a Sugar Act—you are talking about \$6.22 and \$6.40 before we had a Sugar Act back in 1918 and 1919 it got up to \$35 a hundred pounds, didn't it?

Senator BENNETT. I can remember.

This is the result of the stability that the Sugar Act has provided, and if we were to let the act expire this sort of thing would happen again. We would fluctuate from maybe 2.5 to 3 cents a pound to 12 to

15 cents a pound and the bakers and the bottlers would have a lot of fun trying to change their prices to adjust to the price of sugar, if sugar is an important an ingredient in their total mix. But if the cost of sugar, if the variation in the price of sugar, is between practically nothing and 3 percent, it would be interesting to figure out how much that price variation affected the total cost when you took into account the other ingredients that are used in beverages or biscuits.

But go back to the amendment you propose, which is to put an arbitrary floor on the consumption estimate, do you think that would tend to stabilize or unstabilize the month to month prices on sugar?

Mr. CREED. If anything, Senator, I think it would stabilize them.

Senator BENNETT. Can you want anything more stable than a price which varies less than 3 percent in 15 years?

Mr. CREED. Well, Senator, I think it should be borne in mind that as the areas of domestic production expand, as they would under the pending bill, there are going to be more and more pressures exerted on the Secretary of Agriculture who administers this law to hold quotas down to push that sugar price up he may never succumb but at the same time, this provides some insurance and a direction from the Congress that though he may move within a certain range he is not to go below this minimum of 100 pounds per capita at any time.

That is all that we are seeking.

Senator BENNETT. This takes the flexibility out of his operation, makes it impossible for him to produce the kind of stability that we have had here.

You talk about pressures on the Secretary of Agriculture. He certainly hasn't yielded, if in 15 years you have had a variation of 3 percent.

Mr. CREED. Senator, this would only keep him from having that stability at a higher price level than would otherwise be the case.

After all, in the last 5 years, the average has been 103.6 pounds per capita consumption, and that leaves him plenty of room between that average level, assuming it would stay about there, and 100 pounds, to take care of any adjustments that might be called for.

This is insurance for the consumer; that is all that we are asking.

Senator BENNETT. I still come back to the fact that the consumer has not needed this kind of insurance.

The record just simply contradicts your assumption and the effect of this would be to, I think, un hinge the stability rather than to help preserve it, and it would limit the opportunity of the Secretary of Agriculture to carry out the objective of the act, which is to provide a stable situation.

Mr. CREED. Senator, we all carry fire insurance on our homes hopeful that we will never need it, but it is comforting to know that insurance is there in case a fire does occur.

Senator BENNETT. I think the present policy provides sufficient insurance, and this has operated through a Suez crisis, when the world price for sugar became double the domestic price. This didn't happen.

The waves from that shock didn't hit the domestic industry. Coca-Cola was still able to get sugar at the same price, or approximately, that it did before and after Suez. I think we have sufficient insurance in the bill without putting in this rigidity, which I think would tend to create greater price fluctuations rather than stabilize prices.

The CHAIRMAN. Any further questions?

Senator MORTON. Mr. Chairman, I have just very briefly—I used to sell flour, and if things don't go well in November with me I might be peddling that again.

Mr. CREED. We will be glad to buy some from you, Senator.

Senator MORTON. I may be peddling again in November. Insofar as your amendment is concerned, I see what you are trying to accomplish, but I just don't think we can write it into the bill per se.

I think we might develop language in the report indicating that this is an objective.

If you take a product such as wheat which the per capita consumption has been going down, down for many years, as you know, and the Congress had tried to put a floor under wheat production, which we have done in other ways by price supports but had tried to put it by requiring that 160 pounds per annum had to be maintained or whatever it was, we would have been in a dangerous situation.

I hope the per capita consumption of sugar does not take a decline such as the per capita consumption of wheat took.

So I have some hesitations about your amendment but I think the purpose you are trying to achieve of having an adequate supply is a sound purpose, and as one member of the committee I shall try to achieve that end in whatever way we can.

Mr. CREED. We certainly appreciate that, Senator.

Senator MORTON. Thank you.

The CHAIRMAN. Thank you very much.

Mr. CREED. Thank you, Senator Byrd.

(The statement previously referred to follows:)

STATEMENT ON BEHALF OF THE INDUSTRIAL SUGAR USERS GROUP BEFORE THE HOUSE COMMITTEE ON AGRICULTURE ON PROPOSED AMENDMENTS TO THE SUGAR ACT OF 1948, PRESENTED BY JOSEPH M. CREED

Mr. Chairman and members of the committee, my name is Joseph M. Creed. I am counsel for the American Bakers Association and the Biscuit and Cracker Manufacturers' Association, both of which organizations are members of the Industrial Sugar Users Group, whose views I am presenting here today.

The industrial users subscribing to this statement are: American Bakers Association, American Bottlers of Carbonated Beverages, Associated Retail Bakers of America, Association of Cocoa and Chocolate Manufacturers of the United States, Biscuit and Cracker Manufacturers' Association, Flavoring Extract Manufacturers Association of the United States, International Association of Ice Cream Manufacturers, National Bakers' Suppliers Association; National Manufacturers of Beverage Flavors, and National Preservers' Association, Inc.

I direct my testimony principally to H.R. 11725, introduced by Mr. Abernethy, which would amend and extend the Sugar Act of 1948, and which we support.

The purpose of this bill, among other things, is to provide an equitable realignment of the sources of sugar on which industrial sugar users and other consumers in this country must depend. Inasmuch as this country is a deficit producer in sugar, we must necessarily import a substantial percentage of all the sugar we use and, historically, we have always done that.

During the years that the supply and distribution of our sugar has been under legislative control, particularly since 1934 and culminating in the Sugar Act of 1948, it has always been the design and purpose of Congress and the various administrations, whether Democratic or Republican, to maintain a domestic sugar industry, but recognizing that it is a high-cost heavily subsidized producer, to contain it at a level which would provide a fair return for those engaged in it; and at the same time, not impose an unfair burden on the consumer and taxpayer who must support it. Indeed, the preamble to the act gives coequal status to the welfare of the consumer and those engaged in the domestic sugar-producing industry.

For this reason, the original 1948 Sugar Act established generous numerical quotas for all of the domestic areas, and at the same time established criteria to be followed by the Secretary in setting quotas to enable him to carry out the will of Congress in providing sugar at fair and reasonable prices to consumers.

55-45 DIVISION SHOULD BE RETAINED

At the time of the extension of the act by the amendments of 1956, because of the rapid expansion of population of our country in the intervening years, and technological advances in the domestic sugar-producing industry, the high fixed quota so avidly sought in 1948 resulted in a smaller percentage of total requirements to be supplied by it than the domestic industry believed itself entitled to. Thereupon, in 1956 they sought to receive 55 percent of all future growth of sugar requirements in the United States above a basic quota of 8,350,000 short tons. As was so cogently pointed out by the vice chairman of the committee, Mr. Poage, during the 1956 hearings, the domestic producers in 1948 thought that "they were getting a good trade by trading off their 55-45 formula and getting a fixed formula, which they did not think they could reach." (House sugar hearings, 1955, page 131). As he correctly observed, when they found they had made a bad trade, they came back to Congress demanding a change in the formula more to their advantage.

They were successful in achieving this in the 1956 amendments, and it remained the division up until the defection of Cuba from among the friendly nations of this hemisphere. Today the domestic producers are back pressing their advantage, brought about by the fall of Cuba, for a higher take. Their objective is a great expansion of acreage to give them the giant's share of the market, with the highest subsidy per acre which Congress provides for any agricultural commodity. This, of course, means higher prices to consumers and more taxpayments to finance the subsidies.

According to the USDA sugar situation, March 1962, sugarbeet production in 1961 was estimated at 17,966,000 tons, a record high, 9 percent larger than 1960. Cane production in 1961 on the mainland was estimated in December at 8,649,000 tons, also a record high, 21 percent above the 1960 crop. Hawaii produced 9,581,000 tons, up 11 percent over the previous year, and Puerto Rico produced 10,754,000, an increase of 11 percent. This record production in all areas will cost consumers and taxpayers in the United States record subsidy payments of about \$76 million; \$43 million for the beet areas and \$33 million for the sugarcane areas based on the average payments per ton which were paid on the 1960 crops.

The amazing specter of a crop heavily subsidized and expanding rapidly has not been lost on any area which is geographically or climatically suited to the production of beets and cane. As a result, therefore, great clamor has arisen to participate in this bonanza of subsidized expansion.

Hence, proposals have been made to the administration and the Congress to write permanently into sugar legislation a tremendously large share of the windfall sugar which, until its elimination as a source of sugar, Cuba supplied, and the windfall reallocations from Puerto Rico and Hawaii under the 1956 amendments. Advance publicity of the administration's bill is convincing evidence that the domestic growers have been able to secure from the administration an agreement most beneficial to their interests. That the administration's concessions will cost consumers heavily in added sugar costs in the years ahead is apparently of little moment, unless Congress itself recognizes the inequity of this bill, and enacts legislation which would, in the words of President Franklin D. Roosevelt, in his sugar legislation message to Congress February 8, 1934, "provide against further expansion of this necessarily expensive industry."

As representatives of sugar users, the customers of the sugar industry, and the consumers of the product, we believe it will be more equitable in the interests of the relatively voiceless consumer, if such limitations embodied in the philosophy of the Sugar Act be retained.

We are sure this committee is aware that as the beet industry expands production beyond what can be consumed in its normal marketing area, it must move that excess production to areas which are more economically served by cane sugar suppliers. This is particularly true of the eastern seaboard area which has always depended on offshore cane sugars for its requirements. With the reduction in the quantity of offshore sugar proposed in the administration bill, the competition among refiners to obtain their proportionate share of what is

available will intensify. At the same time population increases in their marketing area effect higher demand. There can be only one result—higher prices for raw sugars in the New York markets.

Inasmuch as raw sugar prices established in New York are used as a basis for prices for the rest of the country, any curtailment or reduction of offshore sugars will automatically establish a higher level for sugar prices everywhere. Additionally, the cost of transporting beet sugar increases sharply once it moves out of its normal area. All of which raises the question as to why an artificial high-priced market should be established for beet sugar when offshore suppliers are in an excellent position to fill those needs as they have always done, under conditions which will make prices bear some relationship to supply. As a secondary consideration, this in itself is an excellent foreign aid program through regularly established commercial channels, much to be preferred over Government handouts.

Congress in its last overall revision of the law, at the behest of the domestic industry, set their fair share at 55 percent of all growth, and there, we believe, it should remain. Thus, H.R. 11725, which we support here today provides a basic numerical quota for domestic growers of 4,910,000 short tons, raw value, with 55 percent of all requirements over 9,600,000 short tons, raw value, to be supplied by the domestic growers. This unquestionably would continue the objectives of adequate protection of those engaged in the domestic sugar-producing industry.

H.R. 11725 increases the basic numerical quota of the domestic industry from the present 4,444,000 to 4,910,000 short tons, raw value, an increase of slightly over 10 percent. Additionally, since the domestic growers would be entitled to 55 percent of all of the quota in excess of 9,600,000 short tons; and since it is reasonable to assume that the quota for 1963 will be at least 10 million tons, there will be a further increase for the domestic industry of 220,000 tons next year, which, in effect, provides them with a minimum increase of 15 percent above the basic quota in the 1956 act. Additionally, they will continue to participate in the growth of demand at the rate of 55,000 tons for every additional 100,000 tons in demand. This assures them an additional 100,000 to 150,000 tons each year—all of which we must remember will be heavily subsidized. This annual increment could be partially reserved for new growers.

A quota this large is more than ample to take care of all reasonable productive capacity for the foreseeable future. The beet share of a 10-million-ton quota under our proposal would amount to approximately 2,250,000 short tons. The domestic cane other than Puerto Rico and Hawaii would receive approximately 900,000 tons. These are substantial increases in quantity over what was provided in the 1956 act, and enables the domestic industry to continue to grow in the years ahead.

It might also be pointed out that when the generous provisions for the domestic industry were established in the amendments of 1956, certain basic assumptions were made as to requirements for the years through 1962.

Year	Assumed requirements ¹	Quota ²	Distribution ³
1956.....	8,635,000	9,000,000	8,904,000
1957.....	8,670,000	8,975,000	8,734,000
1958.....	8,805,000	9,200,000	9,030,000
1959.....	8,940,000	9,400,000	9,181,000
1960.....	9,075,000	10,400,000	9,261,000
1961.....	9,210,000	10,000,000	9,612,000
1962.....	9,345,000	9,700,000	.....

¹ Senate Committee Report No. 1461, 1956.

² U.S. Department of Agriculture.

Actual growth was greatly in excess of the assumptions. Thus, it can be seen that even at the 55-45 level, the provisions of the Sugar Act have been extremely generous to the domestic growers and processors, considering they had anticipated much smaller quantities for the years through 1962.

ESTABLISHMENT OF ADEQUATE INITIAL QUOTA

One of the problems which has constantly confronted industrial sugar users since enactment of the Sugar Act of 1948 has been the matter of obtaining an adequate initial quota to provide for consumers' requirements, as determined by the Secretary of Agriculture pursuant to the provisions of section 201.

In the Sugar Act of 1937, it was provided that there should always be a quantity of sugar available to consumers equivalent to the per capita consumption times the population. No such provision was included in the Sugar Act of 1948, whether by inadvertence or otherwise. Consequently, we have seen the situation in recent years, of the Secretary announcing a determination of requirements at a given level, but deliberately setting the quota below that level to raise prices to consumers. As consumers and users of sugar, we have felt that such a device was an extralegal extension of the powers conferred by Congress and contrary to its intent.

We always have read section 201 as requiring the Secretary to make a quota determination to the best of his ability, following the criteria set forth in that section; and having made such a determination, to establish a quota consistent with it. It has not, however, always worked this way.

Even this year, with sources of supply relatively uncertain, it was determined that the requirements for the continental United States would be 9,700,000 short tons, raw value, but the quota was initially set at 9,500,000 tons, for the stated purpose of raising prices. Thus, consumers were shortchanged with respect to the quantity of sugar made available for their requirements. It was only within the last month, on April 13, that the quota was increased to the 9,700,000 tons determination, when the supply situation in the Northeast became extremely perilous.

Additionally, over the past several years, it has been obvious that neither Puerto Rico nor Hawaii would fulfill their assigned quotas. Although the prospective deficits of these areas were generally realized at the beginning of each calendar year, even though the total deficits could not be determined with exactitude until later in the year, the Department has been slow to make the necessarily reallocations of quotas to compensate for these deficits. To the extent that such reallocations have been delayed, it has resulted in a further diminution of the quota for consumers with upward pressure on prices.

H.R. 11725 adds a proviso to section 201 which would require that the initial quota established by the Secretary in any calendar year shall not be less than the amount required after allowance for normal carryover, to give the consumers for the continental United States a per capita consumption equal to the average of the 2-year period 1957-58. The per capita consumption on a raw value basis in 1957 was 102.04 pounds; in 1958, 103.76, with an average for the 2 years of 102.90.

Since the per capita consumption of sugar is relatively inelastic, the use of this recent base period would provide a minimum basic quantity of sugar to consumers. More importantly it would serve to demonstrate that Congress is just as concerned with the welfare of consumers as it is with sugar producers.

REVISION OF PRICE OBJECTIVE

The administration bill would amend section 201 of the act to delete the present cost-of-living pricing criterion and substitute for it the following language: " * * * the relationship between the price for raw sugar that he [the Secretary] estimates would result from such determination and the Parity Index, as compared with the relationship between the average price of raw sugar during the 3-year period 1957, 1958, and 1959, and the average of the Parity Indexes during such 3 years." This new formula may reasonably be expected to set a higher price objective for the Secretary to aim at in arriving at his consumption estimates. It should be obvious that a higher price objective, together with greatly expanded subsidized production is going to cost the consumers and taxpayers dearly in the years ahead. We believe this proposed change should be rejected.

FOREIGN SOURCES OF SUPPLY

Recognizing that Cuba's participation in our sugar quotas may never again be what it was prior to the emergence of Castro, it is our recommendation that all but 2 million short tons of the sugar to be secured from foreign sources, amounting to approximately 1,560,000 tons be divided on a proportionate basis among

specified Western Hemisphere countries. We would reserve for Cuba, to hold out hope to her beleaguered subjects, 2 million short tons, raw value, to be available at such time as she returns to the community of friendly nations in this hemisphere. In the meantime, the President would be authorized, as he now is, to withhold that sugar and reapportion it among the countries which are able to supply us, with primary emphasis on the countries which would be given basic quotas under section 202(c) of the Sugar Act as amended by H.R. 11725.

At this point, I would like to comment on the administration's proposal that the act should be so amended as to eliminate assigned quotas to foreign countries and in place of such a procedure, to allow all countries which could supply us with sugar to make their supplies available apparently on a first-come, first-serve basis—the so-called global quota concept.

As the Industrial Sugar Users Group has always made clear and evident, our policy objective is to assure adequate supplies of sugar at reasonable prices, under all conditions, to consumers in this country. At first blush, it may seem that the administration's proposal is an excellent way of attracting sugar from all exporting countries to our shores. In our considered judgment, however, the time for using that approach disappeared with the demise of Cuba as a source of our supplies. When Cuba was available, with its limitless quantities of sugar to supply our population, the efforts of the Government were all in the opposite direction: To exclude and limit foreign sugar that would be available under a global quota system, although undoubtedly such an approach then could have provided sugar to consumers at prices well below those which actually prevailed.

Today, however, when this vast reservoir of Cuba is no longer available to us, the Government comes forward with such an approach—the global quota—apparently on the theory that all sugar-producing countries at all times and under all conditions would want to supply this market.

The industrial sugar users firmly believe that such an approach in today's world could result in a disastrous elimination or curtailment of important sources of sugar for the United States. We firmly believe that the best approach today is to continue the policy of assigned quotas on a broadened base to specified countries with known sugar capacity, and a desire and willingness to provide this market with its requirements on a permanent and lasting basis. We have, therefore, proposed that the countries of the Western Hemisphere—and only Western Hemisphere countries, except for the Philippines which is covered by a treaty—be given assigned quotas on such basis as to the committee may seem a sound and equitable division.

Section 202(c) of the Sugar Act as amended by H.R. 11725 would establish specific quotas for the various Western Hemisphere countries which we think bear a sound relation to their capacity, willingness, and recent history of sugar exports to the United States.

Although we have suggested specific percentages for the Western Hemisphere countries, we must, in the final analysis, leave the breakdown to the wisdom of the committee and the Congress.

An additional provision in H.R. 11725 which should be helpful to the smaller Latin American countries, would authorize any Western Hemisphere country to supply the United States up to 10,000 short tons, raw value, each year in raws or direct consumption sugar, at their option.

We propose that the treaty quota of the Philippines be increased by 15 percent, which could provide that country with a quota of 1,127,000 short tons, raw value. We believe it is an increase which can be justified on many grounds, not the least of which is the long history of friendship and support of U.S. policies. Additionally, the Philippines has consistently demonstrated a willingness and capacity to supply our requirements. Congress explicitly recognized the closeness of ties between the two countries by assigning precedence to the Philippines in the present extension of the Sugar Act, in apportioning it 15 percent of the overquota sugar. This precedent should be followed in an increase of the Philippine Treaty quota.

With that one exception, all other foreign sugar in the basic quotas would be assigned to Western Hemisphere countries to assure, as best the Congress can do, an adequate supply of sugar under all conditions, at reasonable prices, to consumers in the United States.

RELOCATION OF DEFICITS

H.R. 11725 would revise section 204 relating to proration of deficits. It is commonly agreed that the amendments of 1956 introduced, although unintentionally, a severe dislocation of sugar supplies in the Northeast—the heaviest sugar-consuming area of the country—by authorizing the domestic areas to receive deficits of Puerto Rico and Hawaii. Prior to 1956, such deficits would have gone to Cuba, which supplied the northeastern territory. Once these deficits were made available to the beet area, an automatic shortage and upward pressure on prices were created for the large consuming area of the Northwest which depended on cane sugar from offshore sources. To avoid this situation in the future, we propose that all deficits be apportioned among the foreign countries having quotas under section 202(c), except that Hawaiian deficits in excess of 350,000 short tons, raw value, would go to the domestic beet area.

CONDITIONAL PAYMENTS

Turning now to the conditional payments provided for in the act, we suggest that there be a slight reduction in the payments from those presently allowed under existing law. We believe that some reduction is not only justified, but imperative, to protect the consumer.

As pointed out in the May 1962 issue of Marketing and Transportation Situation of the Department of Agriculture, there has been a reduction in the man-hours of fieldwork required per ton of sugar from 1948 to 1960, ranging from a high of 63 percent in the production of Florida cane to 44 percent for beet sugar. In the same period, the number of beet acres harvested have increased from 694,000 to 1,088,000 in 1961. Similarly, the acreage harvested for cane sugar increased from 307,000 acres in 1948 to 331,000 acres in 1961. This points up the great strides in mechanization and improved technology resulting in improved yields per acre, so that the yield in the beets has increased from 13.6 tons per acre in 1948 to as high as 18.8 in 1959, and a slight drop to 16.5 in 1961. The yield per acre in Louisiana went from 17.4 tons in 1947-49 to 24.5 tons in 1961; Florida from 28.7 to 34.2 tons in that period ("The Sugar Situation," March 1962).

In spite of this substantial increase in yields and acres harvested, with approximately 100,000 fewer employees, the subsidies or conditional payments have been frozen into the act at the same level since 1948. As a result, the average payment per farm has showed a continual rise over these years. For example, in 1958, the average payment per farm in the beet area was \$1,430, ranging from a high of \$3,415 per farm in California to a low of \$493 per farm in Wisconsin. This increased in 1960—the latest year for which figures appear to be available—to an average of \$1,658 a farm, ranging from \$4,200 in California to \$436 in Wisconsin.

In the case of the mainland cane area, the average payment per farm in Louisiana was \$1,812 in 1957 and \$2,672 in 1960. Florida in the same period of time paid \$50,052 to individual farms in 1957-58, and \$97,342 to each farm in 1960-61 (USDA "Sugar Report," December 1961).

In 1960 total payments of \$72 million were made to sugar growers, up from \$66 million in 1957. In 1953 the beet area, the recipient of the lion's share of the subsidy payments, received \$30,310,000; in 1960 it received \$40,377,000; an increase in payments of 33½ percent; this year we estimate it will receive \$43 million. These are fabulous figures of which the consuming public has no awareness. Yet, in spite of this tremendous subsidy, the administration comes forward to propose a tremendous expansion with more subsidies of this expensive industry. At this rate we can confidently look forward to subsidies approaching \$100 million by the time Congress gets around to consideration of the act again. When, if ever, will these subsidies end? If the domestic industry wishes to expand, it should do so without Government subsidies, which the consumers pay in higher sugar prices.

In 1960 out of more than \$40 million in subsidies to the beet area, fewer than 20 percent of the 39,000 payees received 80 percent or \$32 million. Hawaiian payments averaged \$12,892 per farm, with more than \$8 million going to fewer than 30 payees. In Florida, 14 payees received \$1,363,000, or an average of \$97,000 per farm. This is big business, gentlemen. And yet, it is proposed that these producers be permitted and encouraged to expand with the same rate of subsidy.

There is no need for this continued domestic expansion of high-cost sugar. Sugar is a natural low-cost crop for many countries which can easily supply us with our requirements. Furthermore, it is an excellent and practical way to provide self-help to many nations whose people we desire to help—particularly in Central and South America. Now is the time to call a halt to perpetuation of this unending expansion of the domestic subsidized sugar industry, and avail ourselves of supplies from these countries.

Under present law, conditional payments are made to growers ranging from 80 cents per hundredweight for the smallest farms to 30 cents per hundredweight for farms with production of 30,000 hundredweight or over. H.R. 11725 would reduce the payments to a maximum of 70 cents for the smallest category and 20 cents for the largest, with proportionate reductions for farms in between as set forth in the following table:

Reduction in the base rate of payment per hundredweight of such portion.

	Present	Proposed change
350 to 700.....	\$0.05	\$0.10
700 to 1,000.....	.10	.15
1,000 to 1,500.....	.20	.25
1,500 to 3,000.....	.25	.30
3,000 to 6,000.....	.275	.35
6,000 to 12,000.....	.30	.40
12,000 to 30,000.....	.325	.45
More than 30,000.....	.50	.60

Mr. Chairman, the industrial sugar users collectively consume approximately 7 million tons, or roughly 70 percent, of all the sugar used in the United States. The consumers' annual sugar bill is about \$1¼ billion. To demonstrate graphically the importance to the consumer of seemingly inconsequential price fluctuations, an increase of one-hundredth of a cent per pound of sugar over a year costs the American consumer an additional \$2 million.

Obviously, therefore, we have a great stake in whatever legislation this committee recommends and the Congress passes. We have in years gone by attempted to bring this forcefully to the attention of the Congress. Because of the unsettled world conditions in the past several years, it has been difficult to re-write long-term legislation in sugar which would preserve the equities of all interested groups, including the consumer for whom Congress has established an objective of adequate supplies at reasonable prices.

Congress once again is pushing toward a deadline of June 30, 1962—a few short weeks away. This committee has before it various bills, including ours, H.R. 11725, and the administration's none of which it has had an opportunity to study in depth.

At all costs it should avoid writing into this important legislation inequities against consumers. Once the Congress puts proposals into the law, it is next to impossible to excise them. In this category we put the proposals to expand the heavily subsidized high-cost domestic production at great expense to consumers. We have heard many protestations from the administration that the consumer must be protected from rising costs and creeping inflation. This legislation is an excellent place to translate words into action which can truly benefit the consumer.

With this in mind, we respectfully suggest to the committee that a temporary 6-month extension of the present law be enacted, and that the committee then proceed to a detailed analysis and study of all the proposals advanced to it as to how the sugar problem should best be treated. It is more probable that equity will be done under such a procedure.

It is appropriate, I think, to point out to this committee that all of the industrial sugar users who would be affected by this sugar legislation constitute the best customers which the farmer has. It is doubtful that any domestic crop can be named of which one or the other of our industries is not the largest user. We have a great comity of interest with the farmer. We are aware of his problems, his difficulties, his expectations; our recommendations are made not to impair his position one iota, but to try to establish equitable and sound economics in this extremely complex field of sugar production, distribution, and use.

We ask this committee, Mr. Chairman, to consider the interests of the consumer who must have an adequate supply of sugar at all times and should be able to obtain those supplies at reasonable prices, and would be able to, if a sound and equitable bill is recommended by this committee. In that connection, a few observations might be pertinent on the administration's proposals to recapture the premiums paid to foreign sugar producers who sell to the United States, representing roughly the difference between the price level prevailing in this country and world market prices—approximately 2 to 3 cents per pound. If foreign sources furnish us with some 4 million tons, the premium involved would be \$80 to \$120 million. Under the administration bill, this proposed recapture would not be utilized to reduce sugar prices to consumers, but would be put into a special fund in the Treasury and authorized to be appropriated from time to time to the President for use in furnishing assistance to countries and areas in accordance with the provision of the Foreign Assistance Act of 1961, as amended.

In other words, this administration proposal would in effect impose a special tax on users of sugar, which money would automatically be available to the President to carry out the provisions of another law without any consideration by Congress and without the necessity of direct appropriation.

We may be naive, but to us this appears to be an insidious form of back-door financing without any accountability to Congress. If the administration were to utilize these funds to reduce sugar prices to consumers, the recapture concept would have validity, and we, as consumers, would have welcomed such a step as constructive, but we strenuously object to this special tax on sugar users for the foreign-aid program.

We believe that H.R. 11725, introduced by Mr. Abernethy, is a bill which, if found acceptable by this committee, will in our opinion, provide a sound, balanced program which will do equity for domestic producers, foreign suppliers, and consumers. We believe it merits the earnest consideration of this committee, and we hope our comments will be helpful in your deliberations.

The CHAIRMAN. The next witness is Mr. John N. Lynn, American Farm Bureau Federation.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman, in the interest of time I would like to file my statement and make two or three comments.

The CHAIRMAN. Without objection.

Mr. LYNN. We support the extension of the Sugar Act. We certainly concur in many of the statements made this morning by farmers throughout the country, that we ought to have a greater share of the basic quota and the increased growth than we have had.

Our recommendation, as you will see, Mr. Chairman, varies somewhat but only slightly from the bill that has passed the House.

The biggest variation is the increase in the percentage of the annual growth that we would allocate to domestic producers.

We urge that you pass this legislation before the end of June since this is the expiration of the act.

(The prepared statement of Mr. Lynn follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION BEFORE THE SENATE FINANCE COMMITTEE WITH REGARD TO LONG RANGE LEGISLATION AFFECTING THE DOMESTIC PRODUCTION OF SUGAR

Presented by John C. Lynn, Legislative Director; Marvin L. McLain, Assistant Legislative Director

We appreciate the opportunity to present Farm Bureau's recommendations for changes in sugar legislation. Our organization for many, many months has urged this committee and the Congress to make substantial changes in the Sugar

Act to take account of changed conditions, including the needs of domestic producers for larger quotas. These changes are long past due. We regret very much that the administration did not come forward early in 1961 with firm recommendations on changing the Sugar Act to aid domestic producers of cane and sugarbeets.

The need to find new uses for excess acres should be clear from the facts that close to \$800 million was paid out in 1961 under the emergency feed grain program and approximately \$1,250 million will be paid out in 1962 under the emergency feed grain and wheat programs. Many of our members desire to begin, or expand, production of sugarbeets or cane. Since sugar is one of the few crops that is produced in deficit in the United States, it is extremely important that we do all we can to permit our farmers to increase their acreages of cane and sugarbeets as much and as quickly as possible.

Farm Bureau is an organization of over 1,600,000 farm families who are voluntary members of 2,674 county farm bureaus. As an organization with members in Puerto Rico and 49 States, including Hawaii, Farm Bureau has a very broad interest in sugar legislation. We represent both farmers who are now growing sugar crops and farmers who are interested in becoming producers of such crops. As a general organization, we are also interested in sugar legislation from the standpoint of (a) the overall interest of agriculture and the Nation in international trade and (b) the contribution that increased domestic sugar production could make toward a solution of the overall farm surplus problem.

The recommendations we are making here today reflect a reconciliation of these different points of view. They are based on policy resolutions adopted by the elected voting delegates from the member State Farm Bureaus at our December 1961 annual meeting, which read in part as follows:

"We continue to support the Sugar Act as a means of dealing with problems peculiar to the sugar industry. While the United States could produce its total sugar requirements, we recognize that international relationships must be taken into consideration in the development of sugar policy. The primary provisions of the sugar program do not relate to payments but to quotas that regulate the marketing of imported and domestically produced sugar.

"We recommend extension of the present Sugar Act for a period of years on a basis that will protect domestic growers. We favor provisions for:

"(1) Immediate and substantial quota increases for the mainland cane and beet areas.

"(2) A substantial increase in the domestic share of increased consumption due to growth, to be apportioned to all domestic sugar-producing areas.

"(3) Sugar production in new areas.

"(4) Such changes in the formula for reallocating domestic deficits as are consistent with changes in basic quotas and the growth formula."

DURATION

We recommend that the Sugar Act be extended for 5 years—July 1, 1962, through June 30, 1967.

CHANGES IN DOMESTIC QUOTAS

The basic quotas for domestic areas should be revised on the basis of a domestic consumption estimate of 9.7 million tons. Three of the five domestic sugar areas—Hawaii, Puerto Rico, and the Virgin Islands—have been unable to fill their quotas in recent years. Accordingly, the basic quotas proposed for these areas are approximately the same as their current shares of a domestic consumption of 9.7 million tons. On the other hand, we propose substantial increases for the mainland cane and beet areas in recognition of their present and potential production.

The percentage of the 9.7 million tons we are suggesting for the domestic area is 61.13 percent. The breakdown would be as follows:

Beet area.....	2,665,000
Mainland cane area.....	900,000
Hawaii.....	1,150,000
Puerto Rico.....	1,200,000
Virgin Islands.....	15,000
Total domestic.....	5,930,000

CHANGES IN THE GROWTH FORMULA

Under the present law, domestic sugar producers receive 55 percent of the growth in domestic sugar consumption above 8,350,000 tons.

In order to permit a further expansion of domestic production on an orderly basis in line with its long-range potential, we recommend that a provision be written into the law to reserve 67½ percent of the growth above 9.7 million tons for the domestic areas. This would leave 32½ percent of the growth to foreign areas.

The 67½ percent reserved for domestic areas should be shared—75 percent by the domestic beet sugar area and 25 percent by the mainland cane sugar area until offshore domestic areas are able to overproduce their basic quotas. If in any year Hawaii, Puerto Rico, or the Virgin Islands produce more than their basic quota, they should in the following year, upon request, receive a quota increase equal to such excess, with the proviso that no such increased quota shall exceed the basic quota (plus growth) applicable under present law. All such increases in offshore domestic quotas should be charged to the foreign total.

It is very essential in order to permit further orderly expansion of the domestic cane and beet industry that we have adequate provision in the new Sugar Act for growth. We believe that the percentages we have indicated will more adequately take care of the needed expansion in our domestic industry.

The following table shows the quota breakdown by areas resulting from application of the growth factor to domestic consumption estimates above 9.7 million tons.

Estimate of domestic consumption

Area	9.7 million tons	9.85 million tons	10.0 million tons	10.15 million tons	10.3 million tons
Beets.....	2,665	2,741	2,817	2,893	2,969
Mainland cane.....	900	925	950	975	1,000
Hawaii.....	1,150	1,150	1,150	1,150	1,150
Puerto Rico.....	1,200	1,200	1,200	1,200	1,200
Virgin Islands.....	15	15	15	15	15
Total domestic.....	5,930	6,031	6,132	6,233	6,334
Available to foreign countries.....	3,770	3,819	3,868	3,917	3,966

PROVISIONS FOR NEW GROWERS

At the present time there are no acreage restrictions on the production of sugarbeets or sugarcane. The main restraining factor is the availability of processing facilities. If the proposed changes in the basic quota and growth formula provisions of the law are made, it will open the way for the construction of additional processing capacity.

Whenever restrictive proportionate shares need to be put into effect for either cane or beet growers, a fair and equitable distribution should be made to protect the interest of old growers and give new growers and new areas an opportunity to produce sugar.

CONCLUSION

We believe the recommendations we have made will provide the basis for a sound and defensible program for the orderly expansion of the domestic sugar industry. We have made no attempt to fill in the details with respect to future allocations to foreign countries, as such allocations obviously involve important international considerations.

We strongly recommend that this committee develop a bill designed to deal with the entire sugar problem on the basis of our suggestions as far as the domestic producers are concerned. We, furthermore, urgently request that this committee act quickly so that a bill can be passed by the Congress before the June 30 deadline. In fairness to our farmers who are interested in producing sugarcane and sugarbeets and for the good of the whole Nation, it is important that we act quickly.

We appreciate the opportunity to present our views.

The CHAIRMAN. Thank you very much, Mr. Lynn.

Senator McCARTHY. Mr. Chairman, may I ask one question?

The CHAIRMAN. Senator McCarthy.

Senator McCARTHY. There seems to be quite a contradiction in Farm Bureau's support of this legislation which involves kind of a production payment method and your opposition to the use of that method in other farm legislation.

Mr. LYNN. There is no contradiction, sir. We support this legislation and we also support the Wool Act, but we are dealing with a commodity here that is in a deficit supply as well as when we deal with wool, and we think in a situation such as has been described here in the last half hour, that the stability that has been injected in this sugar industry due to the fact in many countries it is a complete government monopoly, there is some justification for the payment program.

Senator McCARTHY. But you are not opposed to production payments as a matter of principle then. It depends upon the practical situation?

Mr. LYNN. Well, it depends. I think you have to look at each of these commodities, Senator McCarthy.

Senator McCARTHY. We are talking about a principle at this point. The production payment itself is not to be condemned?

Mr. LYNN. We have opposed, as you know, very vigorously compensatory payments for many of the domestic product agricultural commodities.

Senator McCARTHY. I know you have.

Thank you.

The CHAIRMAN. Thank you, sir.

The next witness is Mr. Sidney Zagri, of the International Brotherhood of Teamsters.

Take a seat, sir, and proceed.

STATEMENT OF SIDNEY ZAGRI, LEGISLATIVE COUNSEL, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS; ACCOMPANIED BY JEFF KIBRE, WASHINGTON REPRESENTATIVE, INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION

Mr. ZAGRI. Mr. Chairman, I am Sidney Zagri and I am accompanied by Mr. Jeff Kibre of the International Longshoremen's & Warehousemen's Union.

For the record I would like to identify myself as Sidney Zagri, legislative counsel of the Teamsters.

We are one of four unions having an interest in the sugar industry from the standpoint of the workers.

We represent many of the workers in the processing plants in the West, and Mr. Kibre's union represents primarily the workers in the field and in the processing plants of Hawaii. The Packing House Workers who accompanied us in our appearance before the House committee, but could not get here today from Chicago because of the very short notice given this hearing, represent workers in Louisiana, Florida, and Puerto Rico, and the Wine & Distillery Workers represent many of the workers in California.

So the four unions are jointly appearing representing the organized employees in the sugar industry.

In witnessing the hearings held by the House Agriculture Committee, it has become increasingly clear that all segments of the sugar industry are being protected by built-in protections in the act, by an act which essentially for all practical purposes calls for cartelization of the sugar industry. Every segment of the industry—the producer, the processor—has been protected except one, and that is the sugar worker.

While there is protection intended in the act, namely, the provision for a fair and reasonable wage, the actual application of this has been dead lettered. It has failed to provide a fair and reasonable wage based upon some minimum standard as was contemplated by the late President Roosevelt when he recommended to Congress in 1937 that it adopt the fair and reasonable standard. Roosevelt stated, and I quote:

An industry which desires protection afforded by the quota system or a tariff should be expected to guarantee that it will be a good employer. I recommend, therefore, that the prevention of child labor and the payment of wages not less than minimum standards be included among conditions for receiving a Federal payment.

The application of this, however, has not resulted in the establishment of any minimum which could be related to some reasonable criterion.

President Roosevelt had in mind a minimum at that time along the lines developed by the Fair Labor Standards Act, because it was at that time that the Fair Labor Standards Act was enacted in Congress and it referred to the fair and reasonable standard in the Sugar Act and used it synonymously with that of the minimum wage promulgated by Congress for interstate commerce.

We find in examining application of the existing provision that the Department of Agriculture in 1962 promulgated rates of \$1.46 an hour in Hawaii, 90 cents an hour in Florida, 60 cents an hour in Louisiana, 50 cents an hour in the Virgin Islands, and 36 cents an hour in Puerto Rico.

On what conceivable basis could the Department have promulgated rates that are at such variance and show such tremendous differentials?

If they took the cost of living, for example, the cost-of-living index published by the Department of Labor indicates about a three- or four-point differential, say, between cities of the South, East, West, and North; certainly not the variance between the 60 cents an hour in Louisiana and \$1.46 in Hawaii.

I have heard some remarks made that labor costs are going up in this industry. I would like to refer to the table published by the Department of Agriculture which appears on page 4 of my statement, which indicates that from 1947 to 1960 labor costs have been reduced in Louisiana by 25 percent, in Florida by 37 percent, and in the beet area by 18 percent, with an increase of 2 percent in Puerto Rico and 11 percent in Hawaii.

Now, we also find that during this period, because of automation, the number of man-hours required to produce a ton of sugar was 48 in Louisiana in 1960 as compared to 118 in 1947; 22 in Florida as compared with 48 man-hours 10 years earlier; 17 in Hawaii as compared with 30; 89 in Puerto Rico; and 23 in the beet area.

Now, this results, of course, in a reduction in labor costs per ton of sugar.

The reduction in labor costs was quite drastic in almost all of these areas. Now, on what basis can the sugar industry or the Government, the Department of Agriculture, justify the type of built-in protections and guarantees that everybody now wants to get—to fill the void that is being created by the Cuban crisis—without similar or comparable guarantee for at least a minimum standard for the sugar worker?

Now, the amendment that was introduced on the House side by Congressman Inouye, of Hawaii, H.R. 11706—and a companion bill, I understand, will be introduced by Senator Eugene McCarthy of Minnesota today—has for its objective a very simple one: to fill the void that exists today due to lack of any criteria for the establishment of a fair and reasonable wage by simply requiring that the minimum wage under the Fair Labor Standards Act shall apply to sugar field workers.

This is not an amendment which is substantive because the substantive precedent is here as enacted in the Sugar Act of 1937 when Congress followed President Roosevelt's recommendation in establishing—in requiring the Secretary of Agriculture to establish a fair and reasonable wage.

This amendment simply establishes a criterion—

Senator BENNETT. Does it apply to beet workers and not cane workers?

Mr. ZAGRI. This is for everybody. The beet workers, incidentally, are very close to this minimum today. So that what in effect this amendment would accomplish would be to raise the minimum for the cane workers in Louisiana, Florida, Puerto Rico, and the Virgin Islands.

The cane workers in Hawaii are up to a minimum of \$1.46 today, which is the lowest scale in the union contract.

Now, the impact this amendment would have even on the producers in Louisiana, in Florida, and Puerto Rico and the Virgin Islands, would not be one that would hurt anyone for the simple reason that the amendment is a flexible one.

Any producer proving any hardship would receive a period of time in which they could bring up the productivity of their farms to the level of efficiency of the beet sugar producers and the Hawaiian producers.

The amendment also contemplates that there should be some payments to the industry during this interim period. In other words, whatever the difference is between the present wage and the minimum could be compensated for in terms of subsidy for a limited period of time.

If we, this Government, can subsidize foreign producers under this act and subsidize the entire industry at home, it certainly is not asking too much for us to subsidize the poor sugar worker who is working for 50 cents an hour—which is certainly not a fair and reasonable wage in 1962—for a period, a limited period, until such time as his industry will be brought up to the technological efficiency of the industry in the beet area and in the Hawaiian Islands.

That, gentlemen, in substance is our proposal.

The CHAIRMAN. Thank you, sir.

Senator McCARTHY. Mr. Chairman, I have one question.

You will recall one of the arguments made against global quotas is that this would put the United States in the market to buy sugar which was produced in part by the effort of workers who were underpaid.

Have you made any examination of the allocation of quotas under the House bill which has come over to us to see whether there is any reflection there of concern for exploited labor or whether there is a greater response to allocating quotas to those countries which have reasonably decent wages for the sugar workers.

You have given figures on the wages, the minimum rate in Hawaii and Florida and Louisiana and the Virgin Islands and Puerto Rico.

Do you have any study of the wages which are being paid, let's say, in the Philippines, any one of these countries to which quotas were being assigned to foreign countries?

Mr. ZAGRI. I believe their weekly wage is comparable to that of the daily wage paid in the Hawaiian Islands.

Senator McCARTHY. In the Philippines.

Mr. ZAGRI. Yes.

Senator McCARTHY. What about Peru and Brazil and Ecuador, Colombia, do you have that?

Mr. ZAGRI. I don't have the figures. We would be glad to supply available figures to the committee.

(Mr. Zagri was unable to compile the data in time for inclusion in the record. When received it will be made a part of the committee files.)

Senator McCARTHY. If they are available, I don't know whether they are.

Mr. ZAGRI. I believe in Peru we may have some figures because I think there is some organizational work taking place in Peru at the present time.

Senator McCARTHY. You suggest in the allocation of quotas in foreign countries that some consideration should be given to the actual wage rates they do pay in the determination of whether or not we will give them a premium payment that we require some adjustment in wage rates where they are unduly low.

Mr. ZAGRI. I agree with that, Senator. In fact, if the Alliance for Progress program of this administration is to have any meaning, it should begin with the workers in these countries. It is in this area that communism or other "isms," which are in opposition to our democratic way of life, will gain their support. So it seems to me in terms of our foreign policy, aside from humane considerations which I consider equally important at least, we should consider the wages being paid in these foreign countries.

Senator McCARTHY. I thank you.

Mr. ZAGRI. But certainly we shouldn't show this tremendous concern, at least verbally, for the workers in foreign countries and at the same time suggest for the next 5 years we freeze a mechanism which will permit rates of 36 cents and 50 cents and 60 cents an hour, rates which are being promulgated by the Department of Agriculture. This is really in a sense worse than no wage minimum at all, because when the union sits down with the employer to negotiate a contract the employer always says: "Well, the Government says this is all—this is the minimum that should be paid." So in a sense the promul-

gation of figures by the Department is really a tool to help preserve or perpetuate this indefensible wage level.

Senator McCARTHY. When we are setting 36 cents an hour in Puerto Rico and saying this is adequate there we can't be too much shocked if in the Philippines they pay 15 or 16 cents an hour.

Mr. ZAGRI. I would say we are subscribing to the same principle in promulgating such a wage, yes.

Senator McCARTHY. Thank you.

The CHAIRMAN. Thank you.

Mr. KIBRE. Mr. Chairman, may I introduce a statement in the record in behalf of the International Longshoremen & Warehousemen's Union?

The CHAIRMAN. Without objection, the statement will be incorporated in the record.

(The statements referred to follow:)

STATEMENT BY SIDNEY ZAGRI, LEGISLATIVE COUNSEL, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS

My name is Sidney Zagri, legislative counsel for the International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America. On behalf of General President Hoffa and the general executive board, representing 1,725,000 members, I appreciate this opportunity of appearing in support of H.R. 11706 which would amend section 301(c) (1) of the Sugar Act of 1948.

In witnessing the hearings held by the House Agriculture Committee, it has become increasingly clear that the proposed sugar bill has been given the green light since all vested interests in the sugar industry will be amply protected by this bill, with the exception of one; the sugarworker. Every segment of the sugar industry is provided for with built-in protection, guaranteed profits, guaranteed opportunities for growth; but nothing is provided for the sugarworker.

As Secretary of Agriculture Freeman pointed out on the "Today" show yesterday morning, even Republican critics of the farm bill have reversed their historic position in opposition to a controlled agricultural economy by voting for the Sugar Act, which provides for the cartelization of the sugar industry.

Under these circumstances, it is difficult to understand how they can argue built-in protection for "profits" but no comparable protection for "fair and reasonable" wages.

FAIR AND REASONABLE PROVISION OF THE SUGAR ACT IS A "DEAD LETTER"

The "fair and reasonable" provisions of the Sugar Act create the popular misconception that the sugarworker is presently protected on a fair and reasonable basis which would be at least the equivalent of the minimum wage standards of the Fair Labor Standards Act. Nothing could be further from the truth. The sugarworker today is no better off than the migrant worker and is far worse off than the bracero who is granted a \$1 minimum if he crosses the Mexican border into the United States. The sugarworker in the same area is guaranteed a minimum of 50 cents or 60 cents an hour.

In 1962 the U.S. Department of Agriculture promulgated minimum rates of \$1.46 an hour in Hawaii, 90 cents an hour in Florida, 60 cents an hour in Louisiana, 50 cents an hour in the Virgin Islands, and 36 cents an hour in Puerto Rico.

An extension of the Sugar Act for 5 years would freeze the mechanism which is responsible for this condition.

H.R. 11706 IS SIMPLY A CLARIFYING AMENDMENT

The concept of minimum wages in the sugar industry was introduced by the late President Franklin D. Roosevelt, in his message to Congress in 1937 in which he stated:

"An industry which desires the protection afforded by the quota system or a tariff *should be expected to guarantee that it will be a good employer.* I recommend, therefore, that the *prevention of child labor and the payment of wages*

not less than minimum standards be included among conditions for receiving a Federal payment."

It is clear from this that President Roosevelt used the terms "fair and reasonable" and "minimum standards," synonymously.

It is, therefore, fair to assume that the intent of Congress at the time that the bill was passed as to have the Secretary of Agriculture promulgate wages that were not less than the wages paid industries under the FLSA. It is true that section 301(c) (1) provides for difference of conditions among various producing areas. This does not, however, mean that the minimum in any area should be less than a minimum wage promulgated by Congress for the country as a whole. It does not follow from this that wages in any area should be below that of the FLSA.

It is clear from the foregoing that the proposal of H.R. 11706 does not establish a precedent, but is simply a clarifying amendment implementing the recommendation of President Franklin D. Roosevelt, imposing a special obligation on the employer in the sugar industry in establishing a minimum wage.

THE APPLICATION OF THE PRINCIPLE EMBODIED IN SECTION 301(C) (1) REQUIRES SUCH A CLARIFYING AMENDMENT

The absence of specific standards defining "fair and reasonable" wages resulted in the establishment of minimums of such diversity among the producing areas as to suggest no common denominator for arriving at such determinations.

NEED FOR A SPECIFIC STANDARD

How can one explain "fair and reasonable" minimum wages of \$1.46 in Hawaii, 90 cents in Florida, 60 cents in Louisiana, 50 cents in the Virgin Islands, and 36 cents in Puerto Rico for the same crop year? These are the latest determinations for these areas. Even under the most flexible standards, it is difficult to find justification for the existence of such drastic differentials among the regions mentioned.

If cost of living is the criteria, and a spokesman for the U.S. Department of Agriculture hinted that this was the case, one cannot justify such differentials since the cost-of-living indexes of the U.S. Department of Labor on 0.03 or 0.04 cent differences between cities of the South, North, and West for March of 1962.

If it is on the basis of ability to pay, this goes to the efficiency of the industry and not to the concept of what is fair and reasonable. In any event, where productivity is a factor, the answer is not to work out a minimum wage based upon the prevailing scale, but rather a rate which would encourage technological change, which would increase efficiency and place competition upon the ability to produce as well as the ability to pay.

The reluctance of the Department of Agriculture to reveal specific standards in the making of determinations, or its failure to justify drastic wage differences between regions, is further indication of the need for the establishment of specific legislative criteria as is suggested by the proposed amendment.

PROPOSED AMENDMENT IS FLEXIBLE

The proposed amendment does not require producers who can prove undue hardship to raise the wages to the prescribed minimum immediately. Procedures are established for the purpose of hearing hardship cases.

A portion of the \$180 million subsidy made available to foreign producers could be used to subsidize the difference between substandard wages and the FLSA minimum where hardship is established.

The latest figures released by the U.S. Department of Agriculture indicate that as the wage rate for fieldworkers goes up, the number of man-hours for the production of a ton of sugar goes down. The following comparative figures were

released by the U.S. Department of Agriculture in its Sugar Reports No. 115, November 1961:

Farm labor costs and man-hours per ton of sugar, and hourly earnings of fieldworkers

Area	Labor costs per ton sugar ¹			Man-hours per ton sugar			Hourly earnings of fieldworkers ¹		
	1947-49	1960	Change (percent)	1947-49	1960	Change (percent)	1947-49	1960	Change (percent)
Louisiana.....	\$48	\$36	-25	118	48	-59	\$0.41	\$.74	+80
Florida.....	38	24	-37	58	22	-62	.66	1.11	+68
Hawaii.....	27	30	+11	30	17	-43	.93	1.74	+87
Puerto Rico.....	44	45	+2	134	89	-34	.83	.60	+52
Beet area.....	33	27	-18	41	23	-44	.82	1.18	+44

¹ Excludes fringe benefits.

The Sugar Reports 115, November 1961, concludes (pp. 30, 31):

"* * * Such gains also have provided more producers with a margin of savings in labor costs to defray, in whole or in part, added costs for nonlabor inputs and amortization of capital outlays for production facilities both of which were essential to the attainment of improved labor productivity * * *"

The establishment of FLSA minimums will act as a further stimulus to accelerating the rate of technological change in the "backward areas."

Government subsidization during the interim period will be only a very small fraction of the subsidies presently granted growers in the stabilization of the sugar industry.

It is difficult to reconcile the producers' support of Government subsidy for the grower and processor and be in opposition to comparable subsidies to sustain a minimum wage essential to the maintenance of a healthy and decent standard of living.

DEPARTMENT OF AGRICULTURE WAGE DETERMINATIONS—OBSTACLE TO COLLECTIVE BARGAINING

A continuance of the present policy of having the U.S. Department of Agriculture place the stamp of governmental approval on the prevailing wage in an area—no matter how low—does more harm than good.

It stands in the way of workers negotiating an improvement over the present substandard wage through collective bargaining. The employer can always shift the responsibility to the Government. If the fair and reasonable wage concept is to be a "dead letter," it is better to have no provision at all.

CONCLUSIONS

1. The dead letter proviso of fair and reasonable wages of the act calls for one or two of the following:

A. Adoption of the proposed amendment establishing FLSA minimums, or

B. Extension of the Sugar Act for only 1 year with provisions for a study by the Department of Agriculture or a congressional committee to establish a factual determination in the following areas:

(1) To determine basis for drastic differences in minimum rates ranging from 36 cents in Puerto Rico to \$1.46 in Hawaii.

(2) Examination of Department of Agriculture's wage determinations to determine basis for minimum rates.

(3) Investigation of the ability of the sugar industry to pay FLSA minimum rates to the sugar workers.

(4) The impact of technology on the industry.

The study should be completed with a report back to the 88th Congress not later than March 1, 1963.

STATEMENT OF JEFF KIBRE, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION

"FAIR AND REASONABLE WAGES" FOR SUGARWORKERS

U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. While the principal debate concerns readjustments in quotas, this is an opportune time to review the effectiveness of the present sugar control machinery as it affects the basic sugar producers, the fieldworkers on the beet farms and cane plantations.

As was recently pointed out (in a "Special Study on Sugar," a report of the special study group of the U.S. Department of Agriculture for use of the House Committee on Agriculture), "We have developed a thoroughly managed sugar economy." The question we wish to raise is: What has become of the fieldworker? How has he fared in this managed economy? Why is he the forgotten man.

The sugarworker has actually received no benefit whatever from the Sugar Act. Other segments of the industry—the industrial users, the processors, and the growers—have all benefited from the stable and assured prices guaranteed by the act.

The workers in fact, who produce the sugarcane and the sugarbeets, are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As our statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the Department of Agriculture at whatever is the rate prevailing in the area. Thus the Government's stamp of approval is put on each substandard wage as 95 cents in the beet areas, 60 cents in Louisiana, and even less in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the Government.

These so-called "fair and reasonable" wages are below the minimum of \$1 per hour set by the Department of Labor for Mexican nationals who work in the lettuce fields of California and Arizona. Thus a domestic worker doing certain types of manual labor in the beetfields is guaranteed a minimum below that guaranteed to a Mexican national working in the lettuce fields.

What is more, Congress has provided a national minimum of \$1.15 per hour under the Fair Labor Standards Act, a minimum scheduled to go up to \$1.25 in September 1963. It is our position, which we urge upon this committee, that the Sugar Act be amended to provide the same minimum wage for sugarworkers in all areas as that provided in the Fair Labor Standards Act. The "fair and reasonable" wages as established under the Sugar Act are unfair and inequitable.

When the Sugar Act was adopted in 1937, President Roosevelt said that in view of the protection afforded by the quota system the industry "should be expected to * * * be a good employer." We submit that no one who looks at the facts can conclude that the industry has lived up to Roosevelt's injunction, or that the Department of Agriculture has satisfactorily discharged its obligation to compel the industry to do so.

Sugar—A protected industry

The U.S. sugar industry has been heavily protected for many years, first by tariffs and, since 1934, by means of a quota system that guarantees domestic producers a market at a price substantially higher than the world market price. Senators Paul H. Douglas and J. W. Fulbright have recently estimated the extent of the subsidy at \$10 to \$20 billion since 1934 (S. Rept. No. 125, 87th Cong., 1st sess. p. 10).

When the Roosevelt administration adopted the Jones-Costigan Act in 1934, the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stabilize prices without harming consumers, to effect a shift of income from processors (who weren't doing so badly) to growers (who were doing miserably) and, in so doing, to insure that the farmworkers shared in the benefits.

Since 1934 the Sugar Act has often been amended, but its basic purposes and procedures remain unchanged. After 27 years' experience it is clear that the act has been successful in meeting all of its major objectives—with one glaring

exception: the farmworkers, the base of the whole pyramid, have derived no benefit. Sugar fieldworkers in Hawaii are an exception—they are far better off than they were, but the improvement in their income and living standards cannot be credited to the sugar legislation; it is the result of union organization.

However, since 1934 the economic picture has radically changed. The need then was to raise sugar prices and to redistribute the industry's income as between processors and growers and, indirectly, the fieldworkers. Now, during the prosperous postwar years, the operation of the act has resulted in an unanticipated profit bonanza for the big industrial users who swallow two-thirds of the industry's product. The principal beneficiaries of the act have been Coca Cola, Hershey, Wrigley, and other industrial users, including the fruit canners. The resulting phenomenal profits for some of these companies are shown later.

Now is the time for a thorough reconsideration of the whole purpose of the Sugar Act. The country cannot sit idly by and see millions of dollars pouring into the coffers of the industrial users and the U.S. Treasury at the same time that the fieldworkers are getting no benefits whatever. This was not the purpose of the act originally; it should not be suffered to be the result of the act today.

"Sugar industry should be a good employer"—Roosevelt

President Franklin D. Roosevelt, in his message to Congress recommending passage of sugar legislation in 1937, said:

"It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by the quota system, or a tariff, should be expected to *guarantee that it will be a good employer*. I recommend, therefore, that the prevention of child labor, and the payment of *wages of not less than minimum standards*, be included among the conditions for receiving a Federal payment." [Our emphasis.]

Our complaint is not that the industry is protected. We recognize that the long-run stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such protection has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

"Fair and reasonable" wages

The 1937 Sugar Act and all subsequent versions have carried the provision that the Secretary of Agriculture, after appropriate hearings, shall establish "fair and reasonable" wages for sugar workers. But the act failed to specify clearly the standards to be applied in setting the rates. It simply said that the Secretary "shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas" (sec. 301(c)(1)).

In practice, the "fair and reasonable" wages as set by the Secretary have been no higher and no lower than those prevailing in the particular area in question. In Hawaii, where wage rates have been established by collective bargaining since 1945, the Secretary has determined that the union rates are "fair and reasonable." Elsewhere, according to spokesmen for the Department, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas" and "ability to pay," i.e., "the economic position of producers in relation to available market returns." ("Wage Determinations Under the Sugar Acts," by Ward S. Stevenson and Linwood K. Bailey, Sugar Division, Department of Agriculture, published in Sugar Reports, December 1954).

Consideration of trends in living costs has been limited to trends in the prices of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers" (op. cit.). Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

In the public hearings, which are provided for in the law as a protection to all parties, the Secretary almost always has only such information as the growers provide. The resultant wage determinations follow what is the prevailing wage in the area in question.

How else can one explain a "fair and reasonable" minimum wage of \$1.46 in Hawaii (the union rate for labor grade 7, effective Feb. 1, 1962) and a wage of 60 cents in Louisiana for the same crop year? These are the latest determinations for these areas. It is obvious that the alleged "standards" used by the

Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept a fair minimum wage should justify any such differentials as this. Congress itself, in setting the FLSA minimum, has recognized that a minimum wage should be national and not regional.

The consequence of the procedure followed by the Secretary of Agriculture, is that the Government has been lending its support to the maintenance of sub-standard wages. The main beneficiaries, however, have not been the growers, because they too are squeezed, but the big industrial users who are the real group in the driver's seat.

Sugar wages increasingly lagging

A look at the attached chart confirms the conclusion that the Sugar Act provision for "fair and reasonable" wages has done nothing to bring earnings of sugar fieldworkers up to a truly fair and reasonable level. The chart shows the movement of sugar workers' earnings for the period 1946-60 compared to the earnings of industrial workers. Two conclusions are immediately obvious.

1. Earnings of field sugar workers are far below the earnings of industrial workers and have been falling further and further behind. Earnings in beet areas, which averaged about two-thirds of earnings in manufacturing in 1946, are now only a little more than one-half the earnings of manufacturing workers.

2. In Hawaii, average earnings—though still substantially below the level of industrial earnings—have pretty much kept pace with the trend of industrial wages over the period 1946-60.

A dead letter

The only possible conclusion is that section 301(c)(1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed. Though the industry is protected, the workers are not. The industry is far from being a "good employer," to refer again to President Roosevelt's message.

"Fair and reasonable" wages are below other Government-set minimum standards

The Fair Labor Standards Act, as recently amended, provides for a minimum wage of \$1.15 for covered workers throughout the United States, with special exceptions only for Puerto Rico. The minimum is scheduled to go up to \$1.25 on September 3, 1963, only 18 months from now. The minimum established in the FLSA is the only dollars and cents standard for wages which Congress itself has established. How can the Secretary of Agriculture justify lesser minimums—and minimums varying even within the continental United States—in the face of such congressional enactment?

But it is not only the FLSA minimum which is higher than the Department of Agriculture's "fair and reasonable" wages. The Secretary of Labor, acting under the authority of Public Law 78, has set minimum rates for Mexican nationals who come into this country to work in the lettuce fields of California and Arizona. The rate is 24 cents per carton or \$1 per hour at the discretion of the worker. The piece rate, according to a recent survey (January 1962) by the Labor Department, produced average earnings of \$1.36. These rates are currently in effect and of course they have to be offered to domestic workers as well as to Mexican nationals.

A domestic worker, therefore, may work 1 month in the Imperial Valley at a rate which pays him \$1.36 an hour, with a definite guarantee of \$1, but the next month, if he moves up into a beet area, the only guarantee he's entitled to is 95 cents an hour, under the Department of Agriculture determination for 1962.

Or take the case of a sugar worker in Louisiana whose "fair and reasonable" wage may be as low as 60 cents. He could cross the border into Mexico, pick up a little Spanish and come back into the United States, posing as a bracero, to work in the Imperial Valley lettuce fields. Here he is guaranteed no less than \$1 an hour. It is hard to understand how Congress can justify such discrepancies among the wage determinations by different Government agencies. If an elected official of any union tried to justify anything comparable he would be laughed out of office.

Sugar workers as migrants.—Many sugar workers are migrants. As such, they suffer the many disabilities of migrants, disabilities which are well known, but long tolerated. Attached to this document are several statements dealing with the problems of migrant farmworkers.

Sugar workers are not guaranteed collective bargaining rights

Sugar workers are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of farmers and from the organizational weakness of the workers. The situation is thus to some degree circular: the workers cannot readily organize because they are not organized. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor laws to cover the sugar workers.

Who are the beneficiaries?

If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods, confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaranteed a profit bonanza. The following figures (from Moody's Industrials) are profits after taxes as a percent of net worth for the companies listed for the period 1948 through 1960:

[In percent]

Company	Range 1948-60	
	Low year	High year
Coca Cola.....	14.3	24.3
Pepsi Cola.....	7.1	24.2
Wm. Wrigley, Jr.....	13.0	21.0
National Biscuit.....	10.7	15.3
Hershey Chocolate.....	10.3	30.0

That section of the Sugar Act (sec. 201) which establishes the criteria to be used by the Secretary of Agriculture in determining the overall quota of sugar for consumption purposes, provides that the "determination shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry * * *"

The above profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously the price of sugar has not been excessive.

Profits of sugar producers and processors have been adequate and assured. They have been benefited from an assured market and a stable price. Now under the circumstances of expanding domestic quotas, their outlook for the future is even better.

Growers have received many millions in sugar payments

The Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payment provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a large tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small cane growers in Louisiana receive the maximum. This results in a highly anomalous situation; the area which pays the highest rate of wages receives the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments. Many growers who

pay less than \$1.15 per hour nevertheless are receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary directly with the level of wages paid—the higher the wage, the higher the sugar payments.

Over the years during which such payments have been made (1934–60) they have aggregated \$1,341 million. (Source: For 1951–59, Agricultural Statistics 1960, pp. 546 and 547; for 1934–50, House Hearings on Extension of Sugar Act, Committee on Agriculture, Serial J. p. 81. The figures for the years 1934–50 include Sugar Division administrative expenses.) This enormous sum has been paid to the industry out of the Federal treasury at the same time that the industry has been paying the miserable wages described above.

Hawaii the exception

As is clear from the chart, average earnings of Hawaii sugar workers have risen much more sharply than those of mainland sugar workers. The reason is simple: The Hawaii sugar industry has been compelled by the pressure of a labor organization, the ILWU, to mechanize, modernize, and rationalize its operations to such an extent that it can afford to pay a wage substantially above that paid in the other areas.

Before the ILWU became the recognized bargaining agent for the Hawaii sugar workers, the lowest category field worker was receiving 19 cents an hour, plus housing and certain other perquisites. The situation on the sugar plantations was truly colonial. Now the base rate for labor grade I is \$1.46. The weighted average of hourly earnings of Hawaii sugar workers, according to the Department of Agriculture, has risen from 73 cents in 1946 to \$1.74 in 1960.

If we include the value of fringe benefits—medical care, pensions, paid vacations, paid holidays, sick leave, and severance pay—benefits which the vast majority of sugar workers elsewhere do not have, the total in Hawaii is now \$2.30. These benefits are all provided by union contract.

The Hawaii workers also enjoy legislative protections unheard of elsewhere. A little Wagner Act assures them collective bargaining rights. Passed shortly after World War II, this legislation was an important aid in securing bargaining rights for these workers. Elections were held on each plantation as an orderly means of obtaining recognition and bargaining rights.

Hawaii's unemployment insurance law has been amended to include agricultural workers. No other State law covers them. They are covered, also, under the Hawaii workmen's compensation law.

The Hawaii wage and hour law applies to agricultural workers, though the provisions under the ILWU sugar contracts are sufficiently better so that the overtime and minimum wage requirements are not, in fact, effective so far as ILWU workers go.

Source of higher wages

It is easily demonstrated that means can readily be found to guarantee sugar workers the \$1.15 per hour minimum to which, in all justice, they are entitled.

To raise wages to this level, we estimate, would cost only about \$30 million per year. This estimate is based on Department of Agriculture figures on man-hours worked and assumes that all fieldworkers are entitled to the present FLSA minimum of \$1.15 per hour.¹

The first source for raising sugar wages to at least \$1.15 per hour—a source which is immediately available and which in itself is almost sufficient for the purpose—is the profit which the U.S. Treasury derives from the operations of the Sugar Act. Receipts from the excise tax levied on the processors exceed sugar payments to the growers by some \$25 million a year. This excess should be made available to bring sugar workers wages up to the FLSA minimum.

A second possible source is the quota premium (the difference between the domestic price and the world price). We estimate that in 1960 foreign producers alone received a benefit from the quota premium amounting to \$180 million. This figure may be somewhat different in the future because the world price may be affected if there is no longer a guaranteed market for a part of the product in this country. But in any event, it is clear that only a small portion of this amount is needed to bring sugar workers up to the present FLSA minimum.

¹In the case of Puerto Rico there is no single FLSA minimum. Instead, there are a number of determinations for different industries, ranging down from \$1.15 in a few to 50 cents in others. In making the above estimates we used an arbitrary figure of 75 cents as approximately the average FLSA minimum for Puerto Rico.

The suggestion here is that the sugar from other countries be bought at the world price and sold to processors here at the domestic price. The difference would go into the U.S. Treasury. Such an arrangement has been proposed by the State Department. What we are adding, is the proposal that some of this money be set aside as a fund to raise the wages of sugar workers up to the statutory minimum. The amount available from this source—\$180 million or thereabouts—is much more than enough to accomplish this purpose. Only a fraction of it is needed.

It is quite obvious that funds are available or could readily be found, within the operations of the Sugar Act, to assure all sugarfield workers a truly "fair and reasonable" wage. We believe that with some imagination in redrafting the wage provisions of the Sugar Act, the necessary increase could be paid without hurting the growers in the least.

Franklin Roosevelt enunciated the basic policy: that an industry which receives Federal protection should pay an American wage. The time is long since overdue to apply this principle to the sugar industry. The argument might be made that an increase in the minimum wage standards for sugar workers could result in an increase in the price of sugar. This obviously would not be the case if the recommendations proposed by our union were followed, namely, to provide assistance to those farmers having difficulty meeting the FLSA minimum by allowing them additional compliance payments coming from the profit made by the U.S. Treasury or from the quota premium. If some price increase did occur, it could easily be absorbed by the industrial users as shown by the profit figures above; consequently, it would not mean an increase to the vast bulk of the consumers.

We feel strongly that the primary purpose of the wage determination section of the Sugar Act must be to bring the wages of the sugar workers into line with the Fair Labor Standards Act and that the impact on other aspects of the industry such as compliance payments or price are secondary. We see no way to justify continuation of an act whereby growers, processors, industrial users, or for that matter the U.S. Treasury are well provided for while the workers in the field remains the forgotten man.

What we propose

The Sugar Act should be amended to provide—

1. That "fair and reasonable wages" be defined as the minimum wage (currently \$1.15) provided by the Fair Labor Standards Act.
2. That the Department be empowered to make additional payments to growers to enable them to raise the wages of fieldworkers to the FLSA minimum within a fixed period of time, such determinations to be made after public hearings. In the areas where wages are lowest, the time period might need to be longer than in areas where wages already come close to the minimum, but in no instance should the time period exceed 3 years. Such additional payments would be conditional upon a grower's meeting the rising schedule of wage minimums.
3. That any excess of the proceeds of the excise tax overpayments to farmers be utilized to assist growers in bringing wages up to FLSA minimum.
4. That purchases of raw sugar from foreign countries be at the world price and that a part of the difference between the purchase price and the domestic price at which the sugar is sold to U.S. processors be available for the purpose of making the additional payments to the growers to enable them to pay the FLSA minimum.
5. That any grower who pays the FLSA minimum to his fieldworkers be entitled to the maximum compliance payment of 80 cents per hundred pounds of raw sugar, irrespective of the volume of his sugar production.
6. That sugar compliance payments be made conditional upon a willingness on the part of the grower to recognize a bona fide union as the collective bargaining agent of the fieldworkers whenever it represents a majority of the work force.
7. That the Secretary of Agriculture be required to make an annual report to the appropriate committee of Congress showing how the fieldworkers have fared with respect to wages and conditions.

APPENDIX I. SUGAR WORKERS AS MIGRANTS

SUGAR WORKERS AS MIGRANTS—"THE MOST ISOLATED AND FORGOTTEN PEOPLE IN AMERICA"

The bulk of the workers who do the hand labor in beet and cane are migrants so that the well-known facts about migrant agricultural workers may be cited as applying to these sugar workers.

A Senate report in 1960 concludes :

"We found, in short, that the migrant workers are truly the most isolated and forgotten people in America. Despite their obvious and valuable contribution to our society, they share few of its fruits and seldom find themselves with the same rights and opportunities as other citizens."—"Report on Study of Migratory Labor," by Mr. Hayden to accompany Senate Resolution 267 (86th Cong., 2d sess., Calendar No. 1118, Report No. 1088, pp. 3-4).

Another Senate report, also dated 1960, was quoted by Secretary of Labor Arthur A. Goldberg in testimony before the Subcommittee on Labor of the House Committee on Education and Labor (May 9, 1961). According to this Senate report :

"The [agricultural] migrant and his family are lonely wanderers on the face of our land. They are living testimonials to the poverty and neglect that is possible even in our healthy and dynamic democracy that prides itself on its protection and concern for the individual. Behind the screen of statistics, showing migrant laborers toiling for as little as 50 cents an hour, and working only 131 days a year, we see families crowded into shelters that are more like coops for animals, with children undernourished and in poor health, 2 or 3 years behind in school, with little chance to fully develop their talents and become useful to themselves and their country. This is the ugliest kind of human waste. The plight of the migrant families is a charge on the conscience of all of us" (Senate Select Subcommittee on Labor of the House Committee on Education and Labor, Report 1960).

MIGRANT SUGARWORKERS HAVE LITTLE LEGISLATIVE PROTECTION

Secretary Goldberg, testifying last May with regard to migratory workers, summed up the almost complete lack of legislative protection which characterizes the migrant agricultural worker :

"Because they are migrants, the residence requirements of many State laws exclude them from public assistance, health, educational, and other services.

"Agricultural workers have been expressly excluded in most instances from nearly all of the Federal and State social welfare and labor laws which protect other workers.

"Although workmen's compensation legislation was the first type of social insurance to be developed extensively in the country, little progress has been made in extending such benefits to agricultural workers.

"The minimum wage laws of only Hawaii and Puerto Rico specifically apply to agricultural workers and the wages and hours provisions of the Federal Fair Labor Standards Act do not cover agriculture.

"Of the State unemployment insurance laws, only that of Hawaii provides coverage for farmworkers.

"Only the old-age survivors and disability insurance law and the child labor provisions of the Fair Labor Standards Act cover farmwork—the insurance law only if the worker earns enough to qualify, and the child labor provisions only if the child is employed during school hours."—Testimony of Secretary of Labor Arthur H. Goldberg in "Hearings on Migratory Labor," House Committee on Education and Labor. Eighty-seventh Congress, first session, May 9, 1961, page 4.

The CHAIRMAN. The next witness is Alfred L. Scanlan, of the Barad-Schaff Sales Co.

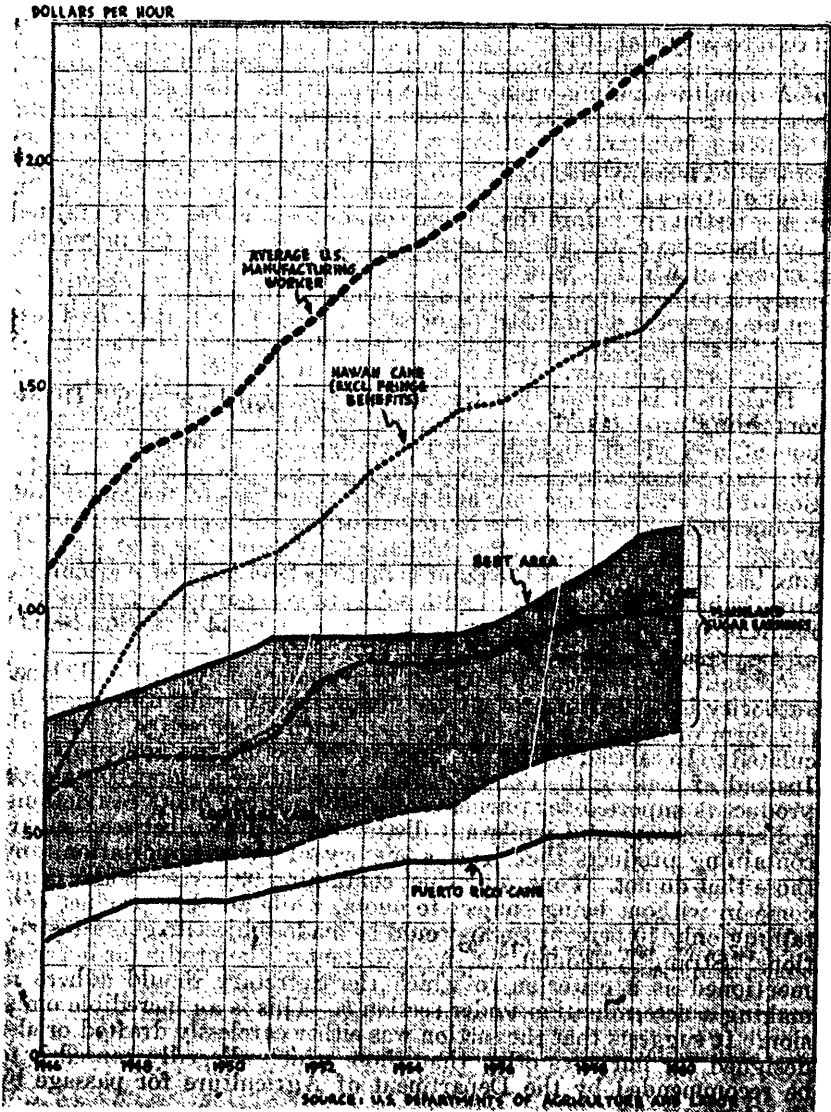
Please proceed, Mr. Scanlan.

STATEMENT OF ALFRED L. SCANLAN, BARAD-SCHAFF SALES CO., WASHINGTON, D.C.

Mr. SCANLAN. My name is Alfred L. Scanlan. I am an attorney, with offices at 734 15th Street NW., Washington, D.C. I submit this statement in behalf of the Barad-Schaff Sales Co., an importer of agricultural, dairy, and other products, whose principal office is located in New York City. We oppose the enactment of proposed section 5 of H.R. 12154, the sugar bill which has passed the House of Representatives and is now before the committee.

CHART

AVERAGE EARNINGS OF FIELD WORKERS IN DOMESTIC SUGAR-PRODUCING AREAS, COMPARED TO AVERAGE EARNINGS OF MANUFACTURING WORKERS, U.S., 1946-1960



Section 5 is a provision which, for the first time, would apply Sugar Act quotas to all products containing sugar, including processed food products, as well as industrial products. If the Department of Agriculture were seriously to undertake, on a product-by-product basis, the duties which section 5 would vest in it, it would be forced to review the importation into the United States of almost all processed food products, as well as a great number of industrial products. Obviously, should the section become law, the possibilities of the tail of sugar policy wagging the dog of U.S. international trade policy would be very real.

If such new and sweeping authority is to be vested in the Secretary of Agriculture and his agents in the Department, the least that seems required is a substantial and detailed justification for the need for this new administrative authority. None has been shown. The Secretary did not attempt to explain, much less to justify, section 5 in his letter of transmittal to the House Committee on Agriculture. Again, in his testimony before the House committee, the Secretary omitted any discussion of the alleged necessity for section 5 and the purported purposes at which it is directed. The House committee report itself contains no more than a compressed summary of the text of section 5, but no statement of justification or need. Therefore, if there be a real need for section 5, it certainly has not been demonstrated in the legislative history up to now. We suspect that there is none.

Perhaps it is argued that the section is needed to keep out sugar-containing products, the sugar content of which is its primary component, and which might be commercially recoverable after importation into this country, and thus be brought into the country in violation of the quota restrictions and the basic purposes of the Sugar Act, as amended. The answer to that contention, and we assume that the committee may be aware of it, although the Department of Agriculture has not emphasized the point is that the Secretary of Agriculture already has authority to deal with subterfuge sugar importations as a result of the careful definition of liquid sugar found in section 101(f) of the present Sugar Act. (7 U.S.C. 1101(f).)

Assuming, however, for purposes of argument only, that additional authority is needed to prevent the importation of substitute sugar in the form of sugar-containing products, such an objective is not calculated to be carried out by the language of section 5 as now proposed. Instead of making the determination of whether a sugar-containing product is imported for purposes of evading sugar quota restrictions, a discriminatory and irrelevant distinction is drawn between sugar-containing products that have a history of prior importation, and those that do not. Thus, a product containing 90 percent sugar could come in without being subject to quota, while another product containing only 10 percent sugar would be made subject to quota restrictions. Strangely enough, the sugar content of the product is not even mentioned as a criterion to which the Secretary should adhere in making a determination under section 5. This is an incredible omission. It suggests that the section was either carelessly drafted or else designed for purposes other than those which allegedly caused it to be recommended by the Department of Agriculture for passage by the Congress.

Finally, under section 5, the Secretary of Agriculture would be both accuser and judge in his own case, a role never permitted him under section 22 of the Agricultural Adjustment Act which covers a vast range of agricultural products. We see no reason why the rule should be changed in the cause of sugar-containing products. At the minimum, the formal hearing requirements of the Administrative Procedure Act should apply so as to guarantee persons who might be affected by adverse determinations of the Secretary of Agriculture, the minimum essentials of administrative due process.

I appreciate this opportunity to present our statement to the committee. While we oppose the enactment of section 5, we realize that chances for its defeat at this late stage may not be too bright. However, we do strongly urge that certain changes in the language of section 5 be made. We urge these changes, not only in the interest of protecting against possible arbitrary exercise of unstandardized administrative power, but also from the point of view of effectively carrying out what is alleged to be the true object of the bill, that is, the prevention of the importation of substitutes for quota sugar. To that end, we have drafted certain proposed amendments to section 5. I submit these now as part of my statement, along with a memorandum which attempts to explain the reasons for the changes suggested in the draft which we have filed with the committee.

Thank you.

(The following was supplied:)

SEC. 6. Section 206 of such Act is amended to read as follows:

"Sec. 206. The sugar, or liquid sugar, in any product or mixture, whose chief component in value, either quantitatively or qualitatively is commercially recoverable sugar, which the Secretary determines, is the same, or essentially the same, in composition and use as a sugar containing product or mixture which was imported into the United States during any three or more of the [5] six years prior to [1960] July 1, 1962, without being subject to a quota under this Act, shall not be subject to the quota and other provisions under this Act, unless the Secretary determines, pursuant to notice and opportunity for hearing as provided herein, that the actual or prospective importation or bringing in to the United States or Puerto Rico of such sugar containing product or mixture will substantially interfere with the attainment of the objectives of this Act, provided that the sugar and liquid sugar in any other product or mixture, whose chief component in value, either quantitatively or qualitatively, is commercially recoverable sugar, imported or brought into the United States or Puerto Rico, shall be subject to the quota and other provisions of this Act, unless the Secretary determines, after notice and opportunity for hearing as provided herein, that the actual or prospective importation or bringing in of the sugar containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar containing product or mixture, as defined in this section, will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the possibility that such importation or bringing in constitutes an evasion or circumvention of the quota limitations with respect to sugar, raw sugar, direct consumption sugar, and liquid sugar, as defined in this Act; the total sugar content of the product or mixture in relation to other ingredients and to the sugar content of other products or mixtures for similar use; the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico; the present or prospective volume of [past] importations prior to July 1, 1962; and other pertinent information which will assist him in making such determinations. Determinations by the Secretary that do not subject sugar or liquid sugar in any product or mixture to a quota may be made pursuant to this section, without regard to the rule making requirements of Section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons, and serving the same upon

them by mail. If the Secretary has reason to believe that it is likely that the sugar, *raw sugar, direct consumption sugar, or liquid sugar*, in any product or mixture will be made subject to a quota, pursuant to the provisions of this Section, he shall make any such determination [provided for in this section] *with respect to such product or mixture after notice and opportunity for hearing have been afforded the person or persons to be affected by such determination, and on the basis of substantial evidence in the record considered as a whole, and in conformity with the hearing and rule making requirements of Sections 4, 7 and 8 of the Administrative Procedure Act, as amended.*"

MEMORANDUM EXPLAINING SUGGESTED CHANGES IN H.R. 12154

1. In line 18, page 13, and line 2, page 14, of section 206 in the House enacted bill, we urge the addition of the phrase "whose chief component in value, either qualitatively or quantitatively, is commercially recoverable sugar." The Department's alleged concern in seeking the enactment of section 206 is to prevent impairment of the sugar quotas through the importation of sugar containing products that may be substituted for sugar which otherwise would be purchased from domestic producers. It should be noted, however, that in his official letter of transmittal to the House committee, the Secretary of Agriculture attempted neither to explain nor to justify section 206; nor did he attempt to do so in his testimony. Moreover, the House report did not refer to the purpose of the section beyond a bare summarization of its text. Indeed, the only reference to any alleged need for section 206 is found in a supplemental memorandum filed by Mr. Kemp at page 39 of the House hearings. Mr. Kemp claims that the section is necessary in order to prevent the importation "of sugar containing products that may be substituted for sugar" from reaching proportions "which would seriously impair the effective administration of the law." Despite the fact that the need for the section has not been established, and leaving aside the further fact that for the first time, sugar containing products are brought under the Department of Agriculture's jurisdiction, thus invading a wide field of international trade, it would seem at the very minimum that certain or definite standards should be put into the statute to govern the Secretary's determinations pursuant to the new and broad authority vested in him by section 206.

As the Department has drafted it, and the House has approved it, section 206 will permit the Secretary to exclude a sugar-containing product containing only 10-percent sugar, and yet admit a product containing 98-percent sugar, provided that the latter product had a history of prior importations. The language suggested in the draft section attached to this memorandum would eliminate the possibility of such unfairness occurring in the administration of the law and with such little relation to the alleged purpose for which section 206 was enacted. By requiring that sugar be a chief component in value, either qualitatively or quantitatively, a definite, workable and understandable standard has been substituted for a vague and irrelevant one. Certainly, it could not fairly be argued that a sugar-containing product in which sugar was not the chief component in value either qualitatively or quantitatively nevertheless is a sugar substitute imported in evasion or circumvention of quota restrictions. On the other hand, where sugar is the chief component, the opportunity for evasion may be present, depending on the circumstances, especially on whether or not the sugar ingredients are commercially recoverable as sugar. For this reason, we believe the language suggested in the revised text supplied herewith is designed to preserve the alleged purposes of section 206, however unproven the necessity for the section may be, without placing potentially arbitrary administrative procedure in the hands of the Secretary of Agriculture, or more accurately, in the Sugar Division.

2. For the same reasons as stated in paragraph 1, above, it is suggested that at line 13, page 14, there be added, as a consideration which the Secretary should take into account in determining whether a sugar-containing product should be subject to quota, "the possibility that such importation or bringing in constitutes an evasion or circumvention of the quota limitations with respect to sugar, raw sugar, direct consumption sugar, and liquid sugar, as defined in this Act." The addition of this language as a statutory standard emphasizes the alleged basic purpose of the section and further reduces the possibility that some sugar-containing products might be made subject to quota while others of far greater sugar content might not.

3. The third major change suggested is a requirement for notice and opportunity to be heard in those cases where the Secretary has reason to believe that his determination will result in a sugar-containing product or mixture being made subject to the quota. Elementary procedural fairness would seem to argue against the Secretary being placed in a position of both accuser and judge, as is now proposed in section 206, especially since the statutory standards against which his decisions are to be judged are so vague in content and ambiguous in purpose. Certainly, under section 22 of the Agricultural Adjustment Act, the Department of Agriculture is assigned no such favored and prejudicial role. Under that act the Department may institute a proceeding; it cannot, however, pass judgment on its own case. There is no reason why any different procedure should be applicable to the Secretary's determinations under the Sugar Act as proposed by section 206. At the minimum, therefore, the formal rulemaking requirements of sections 4, 7, and 8 of the Administrative Procedure Act should be invoked, so as to insure that the basis of the Secretary's exclusion of a sugar-containing product in any given case rests on substantial evidence in the record, considered as a whole, and after an opportunity for hearing has been afforded the affected parties.

4. Nor has any sound reason been assigned why section 206 should be given such severe retroactive application. Indeed, we fail to perceive why a history of prior importations is significant in determining whether or not a particular sugar-containing product is being imported for purposes of evading the quota limitations. That is a determination which should rest on whether or not the product is primarily sugar, or contains sugar that is commercially recoverable, and thus able to be used as a substitute for sugar. At the very least, it is suggested that the cutoff year be changed from 1960, as now proposed in the House bill, to July 1, 1962, and that the comparative period of prior years of importation be extended from 3 of every 5 to 3 of every 6 years prior to July 1, 1962.

5. The other changes suggested in 206 are merely language changes which do not affect the substance of the proposed amendment.

6. We believe that if the above-stated changes are made in section 206 as it passed the House, the alleged, but still unproven, reasons assigned for the enactment of the section will be adequately served, yet at the same time the hazard of discriminatory administrative enforcement will be eliminated or reduced. If the Department of Agriculture, for the first time, is to be permitted jurisdiction over products containing sugar, as opposed to raw sugar, direct consumption sugar, or liquid sugar, its authority in this new and broad area should be couched in terms which guard against bureaucratic excesses and discriminatory classifications as among sugar-containing products and, in addition, preserve the minimum essentials of fair administrative procedure for those who may be directly affected by the Department's determinations.

The CHAIRMAN. Thank you, Mr. Scanlan.

The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12:45 p.m., the committee stood in recess until 10 a.m., Friday, June 22, 1962.)

SUGAR ACT AMENDMENTS OF 1962

FRIDAY, JUNE 22, 1962

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

The committee met, pursuant to recess, at 10:20 a.m. in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Long, Smathers, Anderson, Douglas, Gore, Talmadge, McCarthy, Fulbright, Williams, Carlson, Bennett, Curtis, and Morton.

Also present: Elizabeth B. Springer, chief clerk; and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The first witness will be the distinguished Senator from Louisiana, the chairman of the Agriculture Committee, Senator Allen J. Ellender.

Senator Ellender, we are very happy to have you, sir, before the committee.

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

Senator ELLENDER. Thank you very much, Mr. Chairman.

I desire to compliment this committee for starting hearings so early and for making an effort to obtain passage of this bill before June 30. It is essential that permanent sugar legislation be enacted prior to June 30.

For the past 3 or 4 years we have been more or less proceeding on temporary legislation in the hope that matters could be settled in Cuba, and that the original Cuban quota, or some of it, could be reassigned to that unfortunate country.

Mr. Chairman, and gentlemen of the committee, I have no written statement. As all of you know, in behalf of myself and 83 Senators, I introduced in the Senate on May 14, S. 3290. That bill, insofar as the domestic producers are concerned, met with almost unanimous approval by all segments of the domestic sugar industry.

It is my belief that it was erroneous for this bill to permit the 375,000 tons of refined sugars formerly allocated to Cuba to be supplied by other nations.

It strikes me that we ought to confine this bill to importations of raw sugar only, and thereby give the refineries of our country, and the workers in those refineries, more employment.

To my own knowledge, representatives of the industry worked with the Department of Agriculture for at least 6 months in trying to arrive at a reasonable tonnage to be produced domestically, and of course when I say domestically I include Hawaii, the Virgin Islands, and Puerto Rico. In both bills it will be noted that for the domestic beet sugar producers the tonnage allocated is 2,650,000 tons; mainland sugarcane, 895,000 tons; Hawaii, 1,100,000 tons; Puerto Rico, 1,140,000 tons; and the Virgin Islands, 15,000 tons.

That amounts to about 59 percent of the normal consumption, which is estimated to be 9,700,000 tons.

In the past, that is in past legislation, all deficits were allocated to domestic producers. That was rather unsatisfactory because it was hard to say what the deficits would be, let's say, as to Puerto Rico or Hawaii. Instead of reinstating that formula, we have provided in the bill a base, which I have just indicated, and each year 63 percent of the increased amount of sugar consumed because of additional population will be allocated to continental producers. It will mean that each year probably 100,000 tons of sugar will be added to the base.

That is more or less certain. It can be foreseen in the future, because in the past few years the consumption of sugar due to increased population has averaged about 150,000 to 160,000 tons annually.

The bill, as introduced by me, provides a formula for the percentage-wise distribution to Cuba and other countries. It will be noted on page 3 of S. 3290 that domestic producers are allocated 5,810,000 tons. On page 4 the Philippine Islands is allocated 952,000 tons. In other portions of the bill other areas are allocated certain amounts which do not exceed 100,000 tons. When all of those allocations are added together and deducted from the 9,700,000 tons that we consume, it will leave about 2,840,000 tons to be distributed among Cuba, the Dominican Republic, and other countries that have been specifically named in S. 3290. What we sought to do in the bill, as I said, was to allocate the above-mentioned 2,840,000 tons as follows: 88.85 percent to Cuba, whenever she reestablishes diplomatic relations with us; Peru, 3.73 percent; the Dominican Republic, 3.31 percent; Mexico, 2.75 percent; and so on. The Cuban quota would amount to about 2,435,000 tons.

Now, the House—

Senator ANDERSON. Where is that in the bill, what section of the bill is that, Senator Ellender?

Senator ELLENDER. Those are figures that I calculated myself, Senator Anderson.

As I stated a moment ago, our estimated consumption is 9,700,000 tons per year.

Senator ANDERSON. I thought you said there was a provision in the bill that carried these things into effect.

Senator ELLENDER. Yes, if you look at page 5.

Senator ANDERSON. Thank you.

Senator ELLENDER. It is carried on a percentage-wise basis and what I did was to reduce it tonnage-wise, you see, and that is why I used tonnage figures.

At the bottom of page 5 the Senator will notice how the difference between the domestic allocation, plus the Philippine allocation plus a

few other small amounts and our estimated consumption requirements were to be distributed among Cuba, Peru, Dominican Republic, and others.

The chairman of the Agriculture Committee of the House introduced a bill similar in all respects to the one that was introduced by me in the Senate—but the House has changed the bill considerably. Personally I am not in full agreement with the method by which the House of Representatives distributed sugar to foreigners.

As all of us know, all of the sugar that is imported into our country is produced from sugarcane. Sugarcane is not an annual crop. You plant it one year and you may gather from that one planting five or six crops, particularly in foreign countries. Once you allocate to a cane growing country a certain tonnage, why it will expect it for quite some time. The House has allocated all of the tonnage formerly grown by Cuba. Much of it on a permanent basis, which I think is not in keeping with what ought to be done.

It would seem to me that of the sugar allocated to Cuba which aggregates about 2,400,000 tons in round figures. The committee would be justified in allocating, say, around 400,000 tons to some of our friends to the South of us. Then the rest of it should be bought at whatever price the sugar can be purchased for, and resold on our market at the going domestic sugar price. Then the difference between what would be paid by our Government for the sugar abroad and the going rate in the United States. Should find its way into the Treasury.

There is a provision in the Senate bill that I introduced which would give the Government the right to impose an import fee—I would call it a tax, of so much per pound, which would be collected from the purchaser, that is whoever imports the sugar, and let that sum find its way into the Treasury. I do not like that provision.

It strikes me that we should let our present tariff laws operate insofar as the purchase of 2 million tons of the Cuban quota is concerned. That would mean that when we purchased this sugar from whatever country we desired, if that country, would sell the difference between the price that is normally paid to producers in this country, and what it could be purchased for, plus the tariff a difference of 1½ to 2 cents would be deposited in the Treasury.

It strikes me that the House went far out of its way in determining who should and should not sell to us the Cuban quota.

For instance, here I notice that for the first time Mauritius, a small island that is way beyond Africa, is given under this bill 110,000 tons. Why that should be, I have been unable to find out.

The Fiji Islands have been given quite a large amount. We also have four or five British possessions that will obtain under this formula provided by the House, around 600,000 tons of sugar. Most of this 600,000 tons is produced in the Eastern Hemisphere.

It strikes me if we are to allocate on a permanent basis any amount of the sugar was formerly furnished by Cuba, we should allocate it to countries in the Western Hemisphere. I believe it would be more advantageous, it would be more reliable, it would be more beneficial for us to follow that course.

Mr. Chairman, it is not my purpose to go into any of the technical portions of this bill. There have been certain changes made by the House, which I understand are acceptable to the domestic industry.

The changes are not very significant from what I can understand, and one thing that I would emphasize is that the quota for the domestic producers remain at least at the figure stated in the bill on page 3, that is the Senate bill, which is 5,810,000 tons.

Personally, I wouldn't object to an increase in that amount because while the negotiations were going on, although I was not a party to them, I was kept abreast of what was going on. It is my recollection that the industry asked that at least 65 percent of the amount that is consumed in our country be distributed among our domestic producers, that is both continental and offshore, which would include Puerto Rico, the Virgin Islands, and Hawaii. There was a request made for 67½ percent of the amount of increase in sugar consumption due to increased population.

But as I said, after about 6 or 7 months of discussion between leaders of the industry and the Department of Agriculture, a compromise was reached which is represented by the amount allocated on page 3 of the Senate brief. As I indicated before, it represents about 59.9 percent, instead of the 65 percent, of the 9,700,000 estimated tons we consume.

I am very glad to note that provision has been made in this bill for the establishment of more factories in the domestic beet area. Now, as to where those should be constructed, it is pretty hard for us to put language in legislation that would meet with the approval of all those concerned.

But I believe it is safe to say that there is provision in this bill to construct within the next 4 years four additional factories to produce beet sugar, and each of these factories will have a capacity of a million 100-pound bags. I believe this is a little higher than the average production now in the beet factories scattered over the country where sugarbeets are produced.

I believe that the average production is about 800,000 100-pound bags and as I understand from consultation with engineers, it was figured out that if provision could be made for the allocation of a million 100-pound bags production for 4 years, that that would be sufficient to establish these four factories in various parts of the country where they are necessary.

I am very hopeful, Mr. Chairman, that the committee will be able to improve the language, if that is possible, so that these factories can be constructed, and that beet production be expanded as it should be.

As all of us know, we are overproducing now in corn and wheat and other commodities, and after the defeat of the farm bill in the House yesterday, my fear is that our surpluses will be aggravated a good deal. I would know of no better way to divert acres from grain than to perhaps increase beet production here in our own country.

Senator CARLSON. Mr. Chairman, I wonder if the Senator will yield there on that very point?

The CHAIRMAN. Yes.

Senator CARLSON. I have before me the Report No. 1829 of the Sugar Act amendments of 1962 from the House and I noticed they struck out this language out of the present act which deals with the purchase of sugar or allocation of quotas and I don't like to take time to read this, but it is on page 67, the final sentence says:

*** for any country without regard to allocations except that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing agricultural commodities.

The House struck that out.

Does the Senator from Louisiana see any reason why that shouldn't be in the present law?

Senator ELLENDER. No, I believe that we ought to have such language. When we buy from other countries they ought to buy from us, we ought to use that as a lever to expand our agricultural sales.

I see no reason why that shouldn't be reinstated.

Senator CARLSON. I appreciate very much the statement of the Senator because he is chairman of the Committee on Agriculture and Forestry and is familiar with these problems.

Senator ELLENDER. Well, that would be an opportunity for us to at least try to induce the people we help to help us in the disposition of our surpluses. That is by actually buying the surpluses and not letting us give them away.

Now, Mr. Chairman—

Senator FULBRIGHT. Will the Senator yield on that?

Senator ELLENDER. Yes, sir.

Senator FULBRIGHT. Would the Senator advocate if we gave them a barter transaction instead of the usual free trade, bartering these things.

Senator ELLENDER. No, I wouldn't advocate that, Senator Fulbright.

Senator FULBRIGHT. Why isn't that barter?

Senator ELLENDER. I am not advocating an exchange of sugar for our surplus commodities. I would offer to buy sugar as an inducement for them to buy from us. A mere suggestion that if we buy their sugar they might buy our wheat, or corn, might be apropos.

Senator FULBRIGHT. Trade our wheat for their sugar?

Senator ELLENDER. Let's put it this way: We will buy your sugar if you will buy our wheat.

Senator FULBRIGHT. The Russians have been successful in this program.

I wonder if that is the trend the Senator is thinking about, engage in barter rather than free trade?

Senator ELLENDER. I don't think it would hurt, Senator Fulbright, to suggest to a country: If you buy some of our products, we will purchase sugar from you.

Senator TALMADGE. Will the Senator yield?

As I recall, the distinguished chairman can correct me if I am in error, in the extension of Public Law 480 we made provision for private trade groups to exchange and deal with the surplus farm commodities other than conditions in normal channels of trade, is that correct?

Senator ELLENDER. Yes, and for cash, that was one addition we had in the bill.

Now, lest there are questions, Mr. Chairman, there are quite a few other witnesses who will cover other points in this bill. I am ready to quit. I repeat, it is my sincere hope that the amount allocated to the domestic producers will not be reduced.

If any changes are made, the amount should be increased. But I am not advocating that because I believe that the amount represents a compromise between the Department of Agriculture, the State Department, and the industry. Personally, I would be satisfied to let

that remain as is, with the further provision that the domestic producers obtain 63 percent of the increased amount of sugar consumed each year because of increased population be distributed among the continental cane and domestic producers. That would give us a fairly steady increase each year of sugar production.

The CHAIRMAN. Any questions?

Thank you very much, Senator.

Senator CURTIS. Mr. Chairman, just one question.

The CHAIRMAN. Yes.

Senator CURTIS. Senator Ellender, I respect your opinion and the many hours and days you have put on this legislation.

Would you have any objection if this bill ran a little longer than stated?

Senator ELLENDER. What?

Senator CURTIS. If the time for the bill to operate was extended.

Senator ELLENDER. More than 5 years?

Senator CURTIS. Well, we have talked about 5 years, but, as I understand it, it is really only 4½, isn't it?

Senator ELLENDER. It is this crop, 1962 through 1966, which would make 5 years.

Senator CURTIS. That is right.

But so far as any extension—

Senator ELLENDER. I would have no objections.

Senator CURTIS. With the—so far as the expansion provisions are concerned they really are going to have only 4 years to operate, isn't that right?

Senator ELLENDER. Yes; you are correct. That is right.

Senator CURTIS. Yes. And yet the testimony has been here we talk about 5 years and one plant a year.

Senator ELLENDER. Well, Senator, no matter if you did extend the bill another year it strikes me the moment this bill becomes law the Secretary could proceed to allocate a certain amount of acres to produce 1,100,000 1-pound bags and they could start constructing the refinery. But it will take from 15 to 18 months, as I understand, to build a factory.

Senator CURTIS. I am not sure I am going to suggest a longer time, but I wanted your opinion.

Senator ELLENDER. Yes. I would not object.

Senator CURTIS. Thank you very much.

The CHAIRMAN. Thank you very much, Senator Ellender.

Senator TALMADGE. Mr. Chairman, I have one question.

If I recall, the distinguished Senator testified with reference to S. 3290 in which he urged its adoption but he also suggested that an addition be made thereto that the importation of sugar in this country be restricted to raw sugar and not the refined sugar.

Senator ELLENDER. The Senator is correct.

Senator TALMADGE. The distinguished Senator from Massachusetts, Mr. Saltonstall, and I have offered an amendment to accomplish that fact and the Senator would recommend the adoption of that amendment?

Senator ELLENDER. I would.

Senator TALMADGE. That is all.

The CHAIRMAN. Thank you, Senator Ellender.

The next witness is the distinguished Senator from North Dakota, Senator Milton R. Young.

We are delighted to have you.

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

Senator Young. Mr. Chairman, and members of the committee, I appreciate the opportunity to appear before this committee. I don't believe I will get into trouble around Congress if I say that this committee is probably handling more important legislation this year and works longer and harder than any other committee of the Senate.

I am pleased to note that you have a very high percentage of your members present at the hearing.

Mr. Chairman, I am pleased that the Senate now has before it a bill which would permit a 5-year extension of the Sugar Act rather than the short-term extensions of the past. It certainly is a step in the right direction.

The Sugar Act has been one of the most successful of any of our farm programs. In addition to providing the domestic producers with a fair price of their sugar, it has also assured the consumers of a very stable price, and adequate supply.

I was interested in the table appearing on page 5 of the House report comparing the stability of the sugar prices with the price of cocoa and coffee, two other commodities which we import but which are not controlled by a similar program.

This table, I believe, very graphically indicates the benefit to the consumers from the Sugar Act. This program, in addition, has resulted in considerable revenue to the Federal Government.

More money is collected through excise taxes than is paid out to farmers. In fact, last year this amount was over \$21 million. This figure does not include tariff duties which amount to approximately an additional \$37.5 million annually.

Mr. Chairman, while I recognize the many divergent views and interests which have to be considered in writing a sugar program, I may say that I am disappointed with the treatment accorded domestic sugar producers under H.R. 11730.

The bill is a step in the right direction, but I believe that more consideration should be given to our domestic growers. At the very least I urge that a larger portion of the Cuban quota be assigned to domestic producers.

Under the House-passed bill, provision is made for new areas of sugarbeet production. This will be most helpful, but the unfortunate part of it is that at least a part of this acreage will have to come from the old beetgrowers, should acreage restrictions be reimposed.

While the bill passed by the House does give domestic producers a larger percentage of the increase in future market growth, I fear this increase will not be sufficient to keep abreast with increases in sugar yields through advances in technology.

As I have mentioned to this committee in years past, the Red River Valley of North Dakota and Minnesota is ideally suited to the production of sugarbeets.

It has sufficient rainfall to produce beets in dryland farming and has the type of soil and level land which facilitates large-scale, mechanized production.

It should also be pointed out that in this area, 1 year prior to planting sugarbeets, the producer must summer-fallow the land on which he proposes to plant beets. This, in effect, means that it requires 2 acres to produce 1 acre of sugarbeets.

An acreage planted to beets, in most cases, therefore, would relieve the production of crops that are in surplus.

Sugarbeet production, in addition, furnishes employment for a sizable number of people in the cultivation, harvest, and refining of beets. Considerable employment is also furnished through the great amount of expensive machinery required for the production of sugarbeets.

In view of the unsettled international situation, I would hope that we could reach a point where we could, to a much greater degree, rely upon our domestic sugar industry to meet our requirements.

This can be done by increasing the allocations given to the domestic sugar industry.

I hope that it will be possible for this committee to approve a much greater allocation for our domestic producers—both cane and beet producers. I believe this would be in the best overall interests of the Nation.

Mr. Chairman, I would like to have included in the record, as part of my statement, a telegram which I received from the board of directors of the Grafton Production Credit Association of Grafton, N. Dak., urging a larger share of sugar production for domestic producers.

(The telegram referred to follows:)

DRAYTON, N. DAK., June 19, 1962.

Senator MILTON YOUNG,
Washington, D.C.:

Hope you do everything possible to assure a larger share of sugar production for us farmers. This is one crop not likely to be in surplus production for many years.

The members of the board, Grafton Production Credit, Grafton, N. Dak.: Irvin Schumacher, president, Drayton, N. Dak.; Loren Hiller, vice president, Hensel, N. Dak.; H. O. Lundene, Adams, N. Dak.; Carol Ellingson, Edinburg, N. Dak.; Leo V. Wild, Milton, N. Dak.

The CHAIRMAN. Thank you very much, Senator Young.

Any questions, Senator Douglas?

Senator DOUGLAS. Senator Young, we all hold you in very high esteem both for your personal qualities and your ability and your general devotion to what you conceive to be the general, common interest.

Senator YOUNG. Thank you very much, Senator.

Senator DOUGLAS. I must, however, take exception to certain statements in your third paragraph in which you say that the Sugar Act has been of benefit to the consumers of this Nation.

The evidence which we have produced indicates that the world price of sugar is 2.7 cents a pound, that if you add the one-half cent duty, plus about one-half cent for freight, that sugar could be laid down in this country for about 3.7 cents a pound.

Instead of that the consumers pay 6.5 cents, plus, of course, the transportation and wholesaling and retailing costs.

This is a subsidy paid by the domestic consumers, to the foreign and domestic producers of 2.8 cents a pound or \$56 a ton. And since we use approximately 10 million tons, I am speaking in round numbers, this amounts to \$560 million. Approximately \$330 million of which goes to domestic producers, and \$220 million to foreign producers.

This has been going on for a great many years. It would be continued in the present act for at least 4½ years, possibly 5 years, and, therefore, this would come to a total not far from \$3 billion.

Now, these are huge sums, and whatever the justification by which this act or proposal may be defended, it certainly cannot be defended as of benefit to the consumers, and I think we should recognize it for what it is, a subsidy to high cost domestic producers and a subsidy to a small group of foreign producers.

Senator YOUNG. Well, Senator, I think that might be true in certain periods, particularly in peacetime, but we always have periods of short supply particularly when we had a war, when the prices go out of sight.

I remember during World War I, sugar prices reached astronomical height, and this could happen again. I think the very fact we have maintained a sizable production in this country is assurance that foreign countries won't exact exorbitant prices from us.

Senator DOUGLAS. This is another justification.

Certainly I would hate to see go unchallenged the statement that it is of benefit to the consumers.

Over the last 30 years we have paid a subsidy to domestic and foreign producers of at least \$10 billion. Now, the interest of the consumers tend to be unrepresented before Congress because they are relatively diffused and inarticulate although I am happy to see that the commercial users of sugar are beginning to take an interest in this matter, and, of course, it is also true that the war argument certainly will be less strong in the future than it has been in the past because if we are unfortunate to have wars in the future in all probability they will be of relative short duration as compared to the long wars of the past. I think the consumers of the country need to know how much they are paying for this program.

Senator YOUNG. Senator, there are many other benefits flowing from the right to produce in your own country.

For example, the machinery used in this production of sugarbeets is very expensive. It wears out fast, and most of it used in my State, Senator, is produced in Illinois; International Harvester Co., and John Deere, their sugarbeet machinery is sold in North Dakota and most of it is produced in Illinois so it does furnish employment to a lot of people.

Senator BENNETT. Mr. Chairman, may I get into this? Was the Senator from Illinois not here yesterday afternoon when we discussed the fact that over the past 10 years the variation in the price of sugar has only been from \$6.22 to \$6.42 per hundred pounds?

Senator DOUGLAS. I beg your pardon. The Senator from Illinois was here.

Senator BENNETT. Were you here?

Senator DOUGLAS. I did not comment on it.

Would you like me to comment? Would you care to have me do so?

Senator BENNETT. I would just like to make the comment that this is one of the benefits that has been available to the consumer because the price—

Senator DOUGLAS. Well—

Senator BENNETT. May I finish? Because the price of other agricultural products has risen over the 10-year periods, but the price of sugar has been relatively stable. I have done a little arithmetic on this this morning, and you are assuming the world price has during recent years, always been at this low figure, and of course, that isn't true.

So that when you—and I am commenting particularly for the men at the press table—when you do this generalized arithmetic and say that the costs to the sugar consumer have been \$10 billion, this is based on an assumption that is not accurate.

Senator DOUGLAS. Quite the contrary.

At the present figure it would be around \$550 million a year. The Sugar Act has now been in effect almost 30 years. If I were to apply that, that would be 16.5 billion but I wrote down the total because I recognized that in a few years, namely, the war years, and at the time of the Suez crisis, there was a rise in the world price.

I am ready to compute the difference between the annual price of sugar in the world market and the price at home, multiply this difference in pounds, and by the total amount consumed, plus other payments and I think you will find that the net is most conservatively stated at \$10 billion.

Senator BENNETT. The Senator also—

Senator DOUGLAS. Don't let the Senator from Utah represent the war years from—1942 to 1946 or the Suez crisis of 1956 as being the typical situation.

The typical situation is one in which the world price of sugar was markedly below the American supported price.

The domestic price was constantly higher than it would have been had we purchased the sugar in a free world market.

Senator BENNETT. The Senator from Illinois assumes if there had been no American domestic sugar program the world price would have stayed at the level that it reached.

Senator DOUGLAS. Not quite. I don't assume that. We also make an allowance for that. But the world production of sugar is now approximately 58 million tons. The addition of 6 million tons purchased from abroad would not have appreciably increased the price of sugar in the world market, particularly since there is oversupply in the world market.

Senator ANDERSON. I wanted, before Senator Young left, to ask him a question that has a slight bearing on this.

The Senator has been very familiar with the agriculture conditions in the Dakotas for a very long time. He knows that in the years at the end of the war we ran short of linseed oil for all sorts of architectural work.

We couldn't get any flaxseed out of the Argentine except at tremendous prices and at that time the Department of Agriculture announced a new policy and new program of giving high prices to American producers if they produced an abundance of flaxseed and his State produced a great deal of it.

The fact that it produced broke the market as far as the Argentine was concerned and gave our people a supply of linseed oil at reasonable prices.

All I am trying to ask is: Isn't it also true along with what you may say about subsidies that the guarantee of a sufficient production is a very good regulator of prices?

Senator YOUNG. I think it is, and the very fact that sugar prices have remained stable over all these many years at a reasonable price, I think is proof in itself of the value of the program.

Senator LONG. Might I just ask a question, Mr. Chairman?

The CHAIRMAN. Senator Long?

Senator LONG. Didn't we find out how it affects the Nation not to have a domestic industry in World War II when we ran out of rubber?

Senator YOUNG. The Senator from New Mexico was Secretary of Agriculture in the closing days of World War II. I remember he had to enter into deals with foreign countries in order to get the many necessary commodities including sugar that we needed badly.

Senator LONG. In other words, it might cost to have a domestic industry, but it is sure an inconvenience not to have it when your oversea supplies are cut off; isn't it?

Now, rubber was a good example. Can the Senator say that rubber is any less essential or any more essential than sugar to the country?

Senator YOUNG. The most important things, Senator Long, are food and fiber. Rubber, of course, was very important to our war effort.

Senator LONG. Presumably if we took off all the tariffs we had, just took off all the tariffs, presumably competition in the world market would bring prices down on all those items in this country, that the same logic should apply, shouldn't it, generally speaking?

Senator YOUNG. Yes, I think so.

If we removed all regulations on wages and everything else, I suppose we could produce as cheap as the rest of them.

Senator LONG. Wouldn't the same logic apply equally as well then to the automobile industry, the steel industry, the textile industry, the shipping industry, the oil industry—wouldn't all those industries have exactly the same problem if we took away their tariff protection, presumably the price and profits would go down and the standard of living, too.

Senator YOUNG. That is correct.

Senator LONG. In those industries.

Senator ANDERSON. Mr. Chairman, I was only interested in trying to point out we did by trying to increase production, finally control price.

Now, in 1946, Sir William Rook, I believe it was, was the British negotiator for sugar and he was going all over the world trying to find sugar, paying a very satisfactory price, and as the years have gone on, he has not bought sugar or the British Government has not bought sugar so terribly below the United States even though the price has gone down.

They had commitment in the Caribbean areas and paid a lot of money.

I only believe I was trying to get the Sugar Act rewritten; it hasn't been applicable all these years. It wasn't even effective for many, many years after the original Sugar Act was passed.

We revived it in 1947. We didn't get it passed until 1948 and the Senator from North Dakota was very helpful in those negotiations, but I do believe that the guarantee of that price, for a sugar production in this country, has helped to stabilize the sugar price even if it is a little bit above what we pay for it in the world.

Senator YOUNG. I believe stabilizing the price of sugar in the United States and in the world is not only of benefit to us, but the peoples of the world we are trying to help. We aren't doing any service to a country we are trying to help by beating down the price of the sugar.

If we want to help them we should buy their sugar at a reasonable price so they have a little profit on that so they can improve their economy.

Senator GORE. Mr. Chairman.

The CHAIRMAN. Senator Gore.

Senator GORE. Senator Young, all of us recognize and respect your ability as an expert on agriculture.

Senator YOUNG. Thank you; you flatter me very much.

Senator MORTON. Here comes the needle. [Laughter.]

Senator GORE. I wonder if you would compare the degree of production control and the so-called regimentation provided and practiced for several years in the sugar program of the United States with those aspects of the bill which was defeated yesterday in the House with respect to feed grains?

Senator YOUNG. Well, under the sugar program, you do have strict controls and compensatory payments.

Senator GORE. Aren't the controls in the sugar program in fact more stringent than those proposed in the bill which was defeated by the House yesterday?

Senator YOUNG. Well, no, I don't think so.

Senator GORE. Are there minima in the sugar program, that are exempt from control?

Senator YOUNG. But you could stay out of sugar production if you wanted to. With respect to feed grains, if two-thirds of the farmers voted for rigid mandatory controls, you would be stuck with the program whether you wanted to or not if you wanted to stay in the farming business.

Senator GORE. In the bill that was defeated yesterday, was there not an exception for silage?

Senator YOUNG. I am not too familiar with the House bill. I believe there was.

Senator GORE. Well, I understand there was.

Senator ANDERSON. Silage but not sorghum. I think that is what it was.

Senator GORE. I think there was a minimum acreage below which farmers production would not be controlled.

In view of that I ask you if the so-called regimentation, if the production control practiced for years and now advocated again by the representatives of sugar farmers, is not more strict, and has not been more strict and inflexible than the production controls contained in the House agricultural bill and in the Senate bill.

Senator YOUNG. Well, Senator, the controls in the sugar program are quite strict.

At the present time, of course, they are telling the farmers in my area not only now but last year as well, that they could produce all the sugarbeets they wanted to. But under this program you do get into a pretty strict control.

Senator GORE. Well, I was trying—I will not press you on it.

I was under the impression that the controls were considerably more inflexible with respect to sugar than with respect to feed grains.

Do you agree or do you not agree?

Senator YOUNG. Well—will you state your question again, please?

Senator GORE. I said, I have been under the impression that the production controls on sugar in past years, and as contained in the present bill, were more strict than the controls on feed grains contained in the bill which the Senate passed and which the House defeated yesterday.

Senator YOUNG. Well, I think you may be right.

The controls are just as strict, but when you get into feed grains you get into an entirely different problem. You get into production of feeds which a farmer has to have in his own feeding operations.

A farmer doesn't have to have the sugar and can get out of the program if he wants to.

Senator GORE. Well, I will not press the point, but what about production payments?

How does this differ with respect to the sugar program and the Brannan plan proposed a few years ago?

Senator YOUNG. Well, these are production payments and, personally, I haven't been too opposed to production payments on some crops if you don't go too far in that direction.

Senator GORE. Well, the reason I am asking these questions is that the distinguished chairman of the Agriculture Committee is here, and other members of the Agriculture Committee, including you, are present, and I am just hoping that if we extend the Sugar Act, thus causing the consumers of sugar to pay a great deal more for sugar than they would without the act, that the same Senate will insist that if there is price support on feed grains that there be reasonable production controls.

Senator YOUNG. I think you have an entirely different problem in sugar and in wool than you have in some of these other commodities. This is a commodity in short supply that we import and if we had sense enough to raise our tariff a little we wouldn't have to have this program at all. I think this is an entirely different problem.

Senator GORE. Well, the production controls stem from a bill enacted by the same Congress and the compensatory payments come from the same Treasury and we only have one.

Senator YOUNG. You have tough production controls.

Senator GORE. Well, you and I will have a little private debate in the cloakroom.

Senator CARLSON. Mr. Chairman, right on that point, the Senator from North Dakota, let me ask him, isn't there a vast difference when you take out a specialized crop like sugarbeets which is grown in limited areas—take tobacco, you can't grow that nationally and you can't grow sugarbeets nationally and then put regimentation and feed

controls on 85 percent of this Nation's farms, it is an entirely different thing.

Senator YOUNG. It is an entirely different thing.

Senator GORE. I would like to ask the chairman of the Agriculture Committee in how many States are there soil and climatic conditions in which sugarbeets and sugarcane can be produced.

Senator ELLENDER. I think there are 23 States that are now producing beets, of course, that doesn't mean that more couldn't, and only 2 can produce sugarcane.

Senator GORE. So that is 24?

Senator ELLENDER. Twenty-five.

Senator GORE. Are there other States that could produce beets?

Senator ELLENDER. Oh, yes. Oh, yes.

Senator GORE. How many more would you say?

Senator ELLENDER. I don't know but probably 10 to 15 more.

Senator GORE. Well, now, we may not be able to produce them in Maine but that certainly gets a majority of the States.

Thank you, Senator.

Senator DOUGLAS. Mr. Chairman, I would like to comment, if I may, on the comment of the Senator from Kansas.

He is saying it is justifiable in having production controls and compensatory Brannan plan payments for sugar and presumably also for wool, but not for these other items because sugar and wool were confined to a relatively small number of producers, whereas wheat and corn and the rest apply to a great many.

This argument, I think, depends on the premise that it is fine to have special privileges for a few but not for many.

Senator CARLSON. Mr. Chairman, right on that—

Senator GORE. I was fishing for a comment from my distinguished and warm friend, Senator Bennett, on this degree of regimentation. I know he is strongly opposed to regimentation and strongly opposed to subsidy.

I was just hoping that he would comment on it.

Senator CARLSON. I would just like to make this comment now as to what happens in the production of wheat.

In 1951, Kansas grew 18 million acres of wheat and under our allotment program today this last year we were allotted 9.7 million acres.

Don't let anyone get the impression that the agricultural sections have not cut back their production when they have received some payments.

Senator ANDERSON. I wonder if I could get in for just a moment.

You started talking about compensatory Brannan-type payments. I just want to remind the Senator from North Dakota that compensatory payments were written into the Agriculture Act of 1948 introduced by the able Senator from Vermont, Mr. Aiken, and were taken out at a subsequent date because of a proposal by the then Secretary of Agriculture that it would be extended to important things of that nature.

Compensatory payments were originated by a man named Ted Schultz of the University of Chicago, a very able man, and compensatory payments under the Wool Act were proposed and put there before Mr. Brannan became Secretary of Agriculture. This is not a new idea. It is the way it was going to be applied with controlling

units so that the big farms could be broken up that caused most of the trouble.

Senator YOUNG. Under the Agriculture Act of 1948 the Secretary could apply compensatory payments to almost any crop.

Senator ANDERSON. We had that provision in the law, it was taken out of the Agriculture Act later on because of the possibility some people thought it might be abused.

Senator BENNETT. Mr. Chairman, the Senator from Tennessee indicates he is not going to be satisfied until the Senator from Utah says something.

Senator GORE. I wasn't requesting it.

Senator BENNETT. Just fishing for it.

Senator GORE. I was just hoping for it.

Senator BENNETT. The Senator from Utah would like to make this observation: The feed grains raised throughout the various States in the United States are raised under conditions of almost equal cost. There are local variations.

But sugar, half of the sugar, roughly 40 percent now, is produced in areas where wage costs are so—are very low, and that which is produced in the United States is produced by people who have the American standard of living.

If the Senator from Tennessee and the Senator from Illinois can make some kind of arrangement by which the wages paid to the sugar producers in the United States are comparable in level with the wages paid in these offshore islands and other places, then I think we could consider doing away with the compensatory payments.

Senator GORE. Well, Mr. Chairman—

Senator DOUGLAS. May I say—go ahead.

Senator GORE. Mr. Chairman, the cotton and tobacco farmers whom I have the honor to represent have accepted production controls.

The control of production with respect to tobacco is down to the one-tenth of an acre. It is very carefully measured by surveyors before the tobacco is harvested.

If a farmer is found to have as much as one-twentieth of an acre in excess of his allotment, he is instructed to destroy that excess or he will not receive price support on his entire crop.

After this excess is destroyed, the farmer is required to pay the wages of the surveyor to come back, examine the destroyed portion of the crop, and remeasure the acreage.

Now, the farmers have accepted this in return for price support at a reasonable level, in much the manner that the minimum wage is provided for the industrial worker.

But all through this program from President Roosevelt's administration through the Truman administration, through the Eisenhower administration and now into President Kennedy's administration, the corn and wheat producers have had price support but they have never accepted mandatory controls.

I think we need to add the feed grains provisions of the farm bill to the sugar bill.

Senator CARLSON. Mr. Chairman, I have got to get into this.

Senator GORE. First, let me ask the chairman of the Agriculture Committee if he confirms the accuracy of my statement.

Senator ELLENDER. I would say the Senator is in error as to wheat.

Senator CARLSON. That is right.

Senator ELLENDER. We have had acreage controls in wheat but the difficulty has been this: In 1938 when the act was drafted there was a provision put into the act that if the national allotment was 55 million acres or less, the Secretary of Agriculture had no jurisdiction.

He couldn't control production, and when that minimum acreage was put in the bill, 55 million, production of wheat was 13.2 bushels per acre.

Today the production of wheat is 26.2 bushels but we still have the 55-million-acre minimum, and that is giving us the trouble.

Senator GORE. Mr. Chairman, then I amend my statement to say there have never been effective production controls on either wheat or corn and I renew my suggestion to the chairman of the Agriculture Committee that we just add feed grains as an amendment to the sugar bill.

Then we will have a real debate on regimentation. [Laughter.]

Senator CARLSON. Mr. Chairman, I want to, in view of the statement of the Senator from Tennessee, I want to make this record clear that a wheat grower, a wheat farmer, who plants a half acre in excess of his quota, if he does not plow that under or destroy it he does not get any benefit payments.

He does not get the price supports. In fact, he can be penalized, some have been sent to jail and fined, in fact, I could get into cases with names where they have been fined up to \$5,000 for exceeding their quotas.

Senator ANDERSON. Wouldn't the Senator from Kansas agree the fact there was a 15-acre waiver there, in there, anybody could plant 15 acres of wheat, change the situation in States like North Dakota and Kansas and Colorado and put wheat all over the United States and that is what throws it out of balance?

Fifty-five million acres is too large I quite agree with the able chairman of the committee, but the 55-million-acre limitation doesn't hurt you half as much as a permit to raise 15 acres at any time anywhere in the United States.

To raise that amount of—

Senator GORE. The House of Representatives passed the sugar bill by an overwhelming vote. Perhaps they would be willing to raise the question of regimentation in connection with this sugar bill if we sent it back.

Senator CURTIS. Mr. Chairman, I would like to ask a question about sugar.

Senator Young, we are delighted to have you here. You always make a contribution. Almost daily we hear these attacks upon the domestic sugar production, and allegations that the consumer is being damaged and penalized.

What would happen to agriculture in general if we abandoned the Sugar Act and relied upon world sources and world prices?

I am not asking what would happen to the consumers, I think it would be disastrous, I am not asking what would happen just to the wheat farmers.

You are a longtime, distinguished member of the Committee on Agriculture. What, in your opinion, would be the effect upon agriculture in general?

Senator YOUNG. Well, there would have to be a lot more land retired, and farmers would have to go into more production of crops that are already in great surplus.

As I pointed out in my statement, in the Red River Valley, for each acre going into sugarbeets, you take 2 acres out of production because the land must be summer fallowed the previous year. This is good land; it wasn't in sugarbeet production it would be in production of some other commodity and probably one which is in surplus.

Senator CURTIS. Would you say that it would multiply all the problems of agriculture generally quite a little or increase all the problems?

Senator YOUNG. It most certainly would, and would also aggravate the employment situation. The sugar industry furnishes employment so a sizable number of people in the United States both in the manufacture of the machinery they need, and the cultivation, production, and refining of the beets.

Senator CURTIS. I thank the Senator, because I believe that these allegations are not only inaccurate, and they are misleading to the consumer that such a program they imply would be damaging to the consumer, but it would be very damaging to all the farmers all over the United States even though they don't have any hope of raising sugar.

Senator YOUNG. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. We members of the committee enjoy these sessions, because it permits us a chance to debate with our colleagues which we seldom have on the floor. [Laughter.]

Senator GORE. And seldom have such a congenial one as a witness.

Senator YOUNG. Thank you.

Senator DOUGLAS. I don't wish to debate further with the Senator from North Dakota, but I cannot allow the comment of the Senator from Utah to pass on unobserved.

He justifies the higher price for sugar paid to domestic producers above the world price on the grounds the wage scale is higher.

I wonder if this same argument can be used in justification of the wool program, because what we do by paying subsidies to wool producers in Utah, and in other States, is to give them large sums of money and displace Australian and New Zealand wool where the wage scale is extremely high.

So that I think our friend from Utah will have to find another excuse for these huge subsidies which the consumers of the Nation have poured into the pockets of the producers of the Rocky Mountain States.

Senator BENNETT. I am sure the problem with respect to wool is basically the same. The total cost of producing wool in this country is higher than it is in New Zealand.

Wages are only part of it. There are other costs that are involved. So far as the people who handle sheep flocks, they are provided with their living as well as their wages, and these costs are undoubtedly higher.

I haven't gone into the wool and wool is not an issue before us. In fact, this sounds this morning more like a meeting of the Committee on Agriculture than the Committee on Finance.

Senator ELLENDER. Not in the Senate now, you mean in the House.
[Laughter.]

Senator BENNETT. In the House, yes.

Senator DOUGLAS. Well, along with my colleague from Tennessee I marvel at the way in which a great many Senators not only accept but defend strict production controls and subsidies for sugar and wool applied to their own States, but object very strenuously to them when they are applied to the great Mississippi Valley.

Senator BENNETT. I would like to make the point again, both of these commodities are in deficit supply in the United States, and all of these others you have been talking about are in surplus supply, and it seems to me this makes one of the fundamental differences.

Senator GORE. Mr. Chairman, I have but one suggestion with respect to deficits. Let us charge our guests a little admission fee as they depart and that will help out.

[Laughter.]

Senator FULBRIGHT. Mr. Chairman, may I ask one question on the point particularly raised by the Senator from Nebraska?

The CHAIRMAN. Senator Fulbright.

Senator FULBRIGHT. Isn't it true, Senator Young, that in this case, however, we are developing an inefficient industry compared to soybeans, for example, and you are fostering the increase of an unnatural and artificial industry which never except for the sugar bill would have developed, would it?

Senator YOUNG. No, I think we produce sugar quite efficiently. If we want to buy our sugar from countries that have virtually slave labor, then, of course, you could probably buy cheaper but we can buy many other things abroad, too. For example, we could handle all our shipping on foreign ships much cheaper than our own.

But I think it is to our own best interests to subsidize the merchant marine and keep it in business.

Senator FULBRIGHT. That is on a national defense basis, isn't it?

Senator YOUNG. I think food is a problem in periods of war emergency, too.

Senator FULBRIGHT. I noticed in the statement of the chairman of the House committee, the father of this bill, and I quote:

It is uneconomical to product it—

That is sugar—

domestically. It has to be on an artificial basis.

We talk about artificial price support. This bill is important in all areas of the country, the Virgin Islands, Puerto Rico, and Hawaii, that it all be grown here and keep foreign sugar out, to keep them in business.

That is not so; for example, in soybeans.

Soybeans compete. They sell abroad about 40 percent on an open market for cash. I don't quite see you can say in response to the Senator from Nebraska's question that this would injure all agriculture. It strikes me that this bill is a hindrance to all other agriculture in that you are developing a system here which is based upon the encouragement of an inefficient domestic industry which I think in the long run will cut off markets for such things as tobacco, soybeans, cotton, rice, certainly. I don't see how you think this, if we had no sugar bill at all, this would injure agriculture. We didn't have any sugar bill until the depression, I believe, in 1934, and the

President at that time, President Roosevelt, as Mr. Cooley also stated, that the production in domestic areas should not be increased.

That was one of the original provisions, and this was intended at that time as an emergency sort of relief measure, was it not?

Senator YOUNG. Perhaps so. But in periods of war or emergency, you have to have this production. If we only wanted cheaper production we could buy all our textiles in Japan and cheaper than we can here, we can buy all our wheat in Canada cheaper than it can be produced here.

If we had the same wage scale as the rest of the world this would be a different story, if we only wanted to buy where it was cheaper—

Senator FULBRIGHT. But we, under our wage scale, do compete. You are not trying to say all of our industry, agriculture and industry is so inefficient even with our wage scale it can't compete, are you?

We have a favorable balance of trade today on trade, if you leave out your defense and other things, we have a favorable balance.

Here this is unique. In none of these other crops that have been discussed do we pay any foreign producer a premium.

Do we go out and pay the producer of wheat or any of the other items, rubber or anyone else, almost double the world price? I don't know of any. This seems to me a unique bill.

Senator YOUNG. These are surplus crops.

Senator MORTON. The Senate bill does away with it in a 5-year period.

Senator FULBRIGHT. The Senate bill isn't passed yet. The House bill certainly does that and it always had.

There is no other crop in which we go out and distribute money as we have under this bill. It was suggested in the House, and I have it here, with Mr. Cooley in the debate, why didn't we cut out this other, he said, it sort of reveals just how terrible his bill is if you cut out the foreign.

We have got to bring them in to make it sort of more or less acceptable to everybody. That is about what he said, wasn't it?

Do you recall that?

Senator YOUNG. I didn't read his statement.

Senator FULBRIGHT. I have it here, I will look it up.

Senator YOUNG. Senator, if you wanted to import where you could buy the cheapest, many of our farm industries would be destroyed.

We are keeping cattle from coming in from Argentina in great numbers through an embargo because of a foot-and-mouth disease.

Senator FULBRIGHT. We don't pay the producers of cattle anywhere else to produce, why do we pay it at all here?

Assuming you want to protect this the same way you do cotton or rice if you have the acreage and so on the strange part of this is bringing in this payment, production payment of premium prices to foreign producers, isn't that unique in this bill and applies to no other cases?

Senator YOUNG. It is a substitute for tariff. Most industries are protected by a tariff.

Senator FULBRIGHT. Why shouldn't they be protected by a tariff? Why is this handled in a unique way?

We could have a small tariff.

Senator YOUNG. If you reduced the tariff on some of our industrial items many of the small industries would be destroyed.

Senator FULBRIGHT. That is another matter.

I would argue, probably, you would be better off.

As a matter of fact, that is the purpose of the trade bill. I suppose this means you are not in favor of the trade bill, but we won't get into that at this point, but the purpose, I thought we were a free trading nation, generally speaking, that is our objective, we are not free trading completely, certainly, but the markets of the crops in my State, I think, would be injured by this bill, because if we are going to be able to sell on a free market such things as soybeans, and as the Senator mentioned, tobacco which is not particularly in my State but cotton is and rice and poultry, for example, I don't know how that is consistent with this bill.

In fact, it seems to me it destroys the opportunity for other agriculture in the world markets.

Senator YOUNG. Well, Senator, if your sugarcane producers in the South were put out of business they would have to raise something else, probably cotton, which is in surplus.

Senator FULBRIGHT. But the purpose of this bill it doesn't appear to me to be a matter of protection.

What you are really doing by incentive payments, very largely, larger than any other crop, is inducing the creation of an uneconomic crop, that is what, in effect, Mr. Cooley says in his statement.

It is uneconomic, so we are going out deliberately and paying them very large incentives to start and expand a domestic crop. That doesn't apply to any of these others, any other crop that I can think of. This is unique in many respects.

Senator YOUNG. Senator, the same principle applies to the textile industry, for example.

We can buy our textiles much cheaper in Japan if we want to do that.

Senator FULBRIGHT. We don't pay the textile manufacturers incentives to build more plants at all. We are not going out and saying to the textile manufacturers, "You build more plants and we will pay you X millions of dollars," that is what this bill is to do, however, to build a new plant every year.

We are giving an affirmative incentive to increase the production.

Senator YOUNG. You have a quota on imports of textiles. If you want to apply that same principle to sugar, that would work, too.

Senator FULBRIGHT. But that isn't what this bill does. It isn't to protect it. If it was restricted to that and followed the same line as, we will say, tobacco and some of the others, I think we are accustomed to it, whether it is right or not.

But this bill is unique in several respects. You don't deny that, do you? There is nothing comparable to it in our whole legislation.

Senator YOUNG. It has worked, though. It has provided sugar at a reasonable price.

Senator FULBRIGHT. Well, it costs the country about \$500 or \$600 million a year. I don't know why you mean it is so reasonable. It costs the consumers. The price of sugar today for the consumer here is twice what it is in Mexico, it is about 20 percent what it is in Canada. Everybody pays through the nose but you have very ingeniously hidden it so they don't know it.

Senator Young, I will grant that it is a very ingenious piece of legislation but the facts are it costs the consumers, who are taxpayers, somewhere around \$600 million, doesn't it?

Senator YOUNG. I wouldn't agree with that.

Senator FULBRIGHT. And the other strange part of this is a lot of this goes to foreign producers which certainly isn't so in any other protection case or any other agriculture product.

Senator YOUNG. To the extent that it gives a decent price to foreigners who supply our sugar we are helping them.

Senator FULBRIGHT. Then you think this is a foreign aid bill?

Senator YOUNG. I would a whole lot rather give them a decent price for things we buy from them than give our dollars to them.

Senator FULBRIGHT. But the main objective surely is not that but it is to help your people in North Dakota, the same way that the wheat bill and the cotton bill, isn't it.

You wouldn't justify this on the ground of being a good way to administer foreign aid.

Senator YOUNG. I would much rather have a quota system, as I say, similar to those controlling imports of cotton and textiles. This would work much better and be less costly.

Senator FULBRIGHT. I can't see that this helps the rest of agriculture. I have always advocated this be put in with the agriculture, the regular agriculture bill, and sugar be treated just like others and given the same kind of treatment you give cotton or rice or tobacco or wheat or corn, however awry that program may have gone, but this is a unique kind of thing and it leads to a certain kind of lobbying activities, extracurricular activities, that none of the others lead to that I know of, doesn't it?

Senator YOUNG. The lobbyists are pretty busy on all legislation, particularly on tariffs and foreign aid.

Senator FULBRIGHT. I never had any more examples of people lobbying in the cotton field, cotton business, or tobacco than are engaged in this.

There is lots more money spent on this program than any one of the other crops, isn't that so?

Senator YOUNG. Well, all because of the unique way we have of trying to protect our own industry.

Senator FULBRIGHT. You are not trying to protect it. You are trying to create a new industry that did not exist. You are giving an affirmative incentive, I don't know why you couldn't do it for coffee. We import a lot of coffee. If you spend enough money you could grow coffee in this country, if you are willing to pay enough for it, couldn't you?

Senator YOUNG. I doubt it.

Senator FULBRIGHT. Well, why do you doubt it?

We already grow a lot in Hawaii and we could grow it in Florida and Louisiana, I am sure, if you wanted to pay enough for it.

Senator YOUNG. Sugar is produced very efficiently in this country, in spite of the high wages and the high cost of machinery and the high cost of everything you have to buy.

Senator FULBRIGHT. All right. Why not put it on the same basis as cotton and wheat. I don't see why you have got to have this unique kind of boondoggle.

I never have understood it. I tried to have it put in with the others. The sugar bill was very bad for the rice industry in my opinion. The Senator from Louisiana and I have had arguments about this before, especially before we lost Cuba. But it still is—I think it interferes with other legitimate agricultural activities because of the peculiar way it is handled.

Senator GORE. Will the Senator from Arkansas yield for questions?

Senator FULBRIGHT. Yes.

Senator GORE. The Senator has made a suggestion that the sugar legislation be a part of the general agricultural bill.

Senator FULBRIGHT. I think it ought to be.

Senator GORE. I think that may be very pertinent now. Since we are faced with a choice, or the danger, of either no agriculture bill at all, or continuation of one that will refill Billie Sol's bins, maybe we should just offer a farm bill as an amendment to the sugar bill and then we will have it all in one bill.

Senator FULBRIGHT. That would suit me. I would much rather this go before the Agriculture Committee and be considered in exactly the same way that other agricultural commodities are.

I don't see any justification for the special treatment for this bill. It started out in 1934 in a modest way and the President, as Mr. Cooley, I quoted, he said I need only remind the gentlemen when the first sugar bill was signed by President Roosevelt, he said, that this production in the domestic area should not be increased, this is Mr. Cooley's statement on the floor on June 18.

Mr. Cooley is very frank about several aspects of this bill and he is the greatest authority, I guess, and has had more to do with it than anybody, and he very frankly admits that we keep these foreign subsidies in here in order to sort of make this thing look palatable.

It might have trouble, like he said it would stand out like a sore thumb if we didn't have this quota premium program.

Senator McCARTHY. Will the Senator yield to me?

Senator MORTON. I agree with you, Mr. Cooley has had more to do with it. I might say I question the word "authority."

He had more to do with it.

Senator McCARTHY. I also might suggest providing for the domestic program in order to make the foreign subsidies look good, too.

Senator FULBRIGHT. I didn't quite hear that.

Senator McCARTHY. You said, Senator, you interpret Cooley's position to this end, that the foreign subsidies were continued in order to make the domestic program look good.

I suggest the opposite might be just as true.

Senator GORE. I don't think either one looks good.

Senator FULBRIGHT. Of course, it is so confusing and such a difficult bill to understand it may be that is one of its principal merits. But Mr. Cooley said this on page 10009 on June 18:

We know—

And I quote:

We know enough about this program to realize that if we do away with quotas and do away with premiums the only thing you would have left would be payments to the domestic producers and those payments would stand up like a sore thumb and would be difficult for us to justify.

That is what Mr. Cooley said, they would be the same basis as the payments that are now made for support prices of cotton, and tobacco and all the others. They stand out like a sore thumb.

I get a lot of criticism, all of us do from the farm States about these other programs, but not sugar, no one ever says a word about sugar.

Senator WILLIAMS. Would the Senator yield?

Senator FULBRIGHT. It is accepted without any question almost and it is slipped through always the last day ever since I have been here, it is brought in the last 2 days before it expires and you have got to act immediately. It is never brought in in a regular way such as the other agricultural products.

Senator BENNETT. Do you know who is responsible for that? Mr. Cooley, he is the one who makes the—makes it impossible for us to discuss it earlier.

Senator FULBRIGHT. That is neither here nor there. I have no doubt Mr. Cooley is devoted to this bill. [Laughter.]

I am only saying the bill itself is an anachronism and it is unique and it has no justification for being handled in this manner.

It ought to be part of the Senator from Louisiana's regular agricultural bill and treated like other agricultural commodities, and with the same kind of, I think, objectivity, and freedom from the kind of pressures that this bill develops because of the enormous amount of money that is involved.

Senator WILLIAMS. Will the Senator yield for a question?

Senator FULBRIGHT. Yes.

Senator WILLIAMS. What did Mr. Cooley say about the justification of the 22 million payment to the Dominican Republic?

Senator FULBRIGHT. He is all for it. I am not for this bill at all. I make my position plain. I voted against this bill. I tried once to stop it and I think we got four votes, maybe five. But there is no question about the bill having support.

When you look at the amount of money that is spread around I suppose you could get any bill supported, but Mr. Cooley did, he wanted to give them that money.

I am not for that either, if that is the Senator's question.

Senator CARLSON. Will the Senator yield?

I think the Senator from Arkansas and the Senator from Kansas might also have some problems when he is talking about agricultural commodities. I am sure the Senator does not object to a subsidy of \$20 for cotton and I can't object to 80 cents a bushel for wheat.

Senator FULBRIGHT. Why can't we put it in the same bill with cotton and wheat and let it be handled with other commodities, why is this special treatment for sugar?

The CHAIRMAN. The Chair would like to say that he inherited this sugar bill.

Senator FULBRIGHT. I certainly wasn't intimating that the chairman had anything to do—

The CHAIRMAN. The Sugar Act has been under the jurisdiction of the Senate Committee on Finance since the first sugar bill was passed, I don't know how long ago it was, but—

Senator FULBRIGHT. 1934.

The CHAIRMAN. 1934. It is connected with the tariff, a subject over which this committee has jurisdiction.

Senator FULBRIGHT. It was really intended, I think, as a minor relief program in a period of great depression and it was an effort; we did many things in those days, like leaf raking and WPA and other things, and this was—in which the President as quoted here, the President said domestic production was not to be increased.

The intention was not to build up a huge inefficient domestic program, and it has completely departed from its original purpose.

I certainly don't think the chairman had anything to do with this at all, and he doesn't even grow any sugarbeets so far as I know.

But I think it has gotten out of hand and now it is getting more and more costly, and I object to receiving criticism from people about our agricultural bill, from particularly city people and here sugar goes along and never, it is hardly mentioned. I think it ought to be in the same boat with everybody else in agriculture. I don't see why it should be given this special treatment.

To say to repeal it would be injurious to other agriculture as the Senator from Nebraska does, I can't go along with that at all.

I think it would be, if anything, beneficial but in any case, I see no justification for special treatment.

I don't think this is the right way to give foreign aid either. If you are going to give foreign aid it ought to be under some kind of regulations that at least are reasonably designed to see it help the people.

This goes as you all know in many cases to huge corporations in some of these countries, many of them owned by even Europeans, I think the largest one in Peru is a German corporation, and so on all down the line. It has no relation to local development, I think or very little.

The truth of the matter is in these sugar industries in the foreign countries you have the worse conditions of any other areas.

That is all, Mr. Chairman.

The CHAIRMAN. I simply want to make this statement, that the Committee on Finance has many great problems, and difficulties, and one of the greatest headaches we have is this sugar bill. I recall at the last session, and the Senator from Arkansas will no doubt remember it, that the bill did not pass the House of Representatives until the day before the deadline for its enactment, June 30, and we had to stay up all night in order to get the bill enacted by midnight of June 30.

Senator FULBRIGHT. That is customary. It happens almost that way every year.

Senator BENNETT. Not by our choice.

The CHAIRMAN. Thank you, Senator Young.

Senator YOUNG. Thank you for a very interesting morning.

The CHAIRMAN. The importance of what you have said is indicated by the discussion you have created.

Senator GORE. You made a fine impression. [Laughter.]

The CHAIRMAN. The next witness is the distinguished Senator from Colorado, Senator Gordon Allott.

Take a seat, Senator.

STATEMENT OF HON. GORDON ALLOTT, U.S. SENATOR FROM THE STATE OF COLORADO

Senator ALLOTT. Mr. Chairman, distinguished members of the committee, I want to say first of all, that I am very happy that this committee has taken this bill up with dispatch, and it is a real pleasure to have an opportunity to have a hearing on the sugar bill before the Finance Committee in view of the recent history of this bill.

I appreciate the opportunity to appear before you today to discuss some of the domestic provisions of H.R. 12154 and particularly those provisions that pertain to the sugarbeet industry.

The growing and processing of sugarbeets is a vital, important, and essential part of the economy of my State of Colorado.

Our farmers produce beets in 25 of Colorado's 63 counties. One of them—Weld County—is and for many years has been the largest sugarbeet-producing county in our Nation.

In Colorado we have 14 processing plants, including one which specializes in the handling of valuable byproducts of the manufacturing process. My State is the headquarters for 4 of the Nation's 15 beet sugar companies.

Colorado is the second largest beet sugar-producing State in the Nation. Last year, our sugar mills turned out nearly 18 percent of all the beet sugar produced in the United States.

So you can see that the people of my State have a direct stake in the operation of the Sugar Act and a tremendous interest in the enactment of the kind of law that will promote the stability of the sugarbeet industry.

The people of the United States also have a stake in the stability and the dependability of the sugarbeet industry of Colorado, for we produce enough sugar to meet the annual needs of more than 6¼ million persons in addition to the entire population of Colorado.

I view the domestic provisions of H.R. 12154 as contributing to the stability of the industry to a measurable degree, and this is the principal virtue of those provisions.

The new basic quota of 2,650,000 tons at the present consumption level recognizes roughly the marketing and production levels the industry has reached in recent years while it has been helping materially to fill the gap in domestic supplies caused by production deficiencies in 2 other domestic areas—Puerto Rico and Hawaii.

The new growth formula provided in H.R. 12154 is expected to add enough each year to the beet sugar quota to absorb a part of the increased yields per acre which the technological advancements of the industry bring about, and also to provide an acreage reserve for the entry of some new blood into the beet sugar industry.

Since the beet sugar industry has been absorbing the growth portion of Puerto Rican and Hawaiian quotas in recent years, as well as part of their basic quotas, through the allocation of deficits, the beet sugar industry actually has been receiving an annual growth increment about equal to what the bill would provide.

Thus the bill does not provide any huge increase in either basic quota or growth for the beet sugar industry—as you see when you examine all the facts. The Hawaiian and Puerto Rican deficits have been an important part of the beet sugar quota in recent years.

Last year, for example, more than 40,000 tons of the adjusted beet sugar quota of 2,609,000 tons came from deficit allocations.

Unfortunately, most of the figures published in connection with this bill do not reflect the deficit allocations, and therefore they present a distorted picture, an exaggerated impression of the truly modest increase the beet sugar industry will receive through this bill. The first table on page 2 of the House committee report on the bill, for example, presents, in my opinion, such a distorted picture.

With your permission, Mr. Chairman, I should like to insert in the record at this point a brief table making a comparison between basic domestic quotas under the present law, taking deficit allocations into account, and the domestic quotas this bill would provide.

The CHAIRMAN. Without objection the insertion may be made. (The table referred to follows:)

TABLE I.—Domestic quotas at 9,700,000 consumption level, present law and H.R. 12154

[Short tons, raw value]

Area	Present law ¹	H. R. 12154
Domestic beet sugar.....	2,400,000	2,650,000
Mainland cane sugar.....	750,000	895,000
Hawaii.....	1,050,000	1,110,000
Puerto Rico.....	935,000	1,140,000
Virgin Islands.....	17,000	15,000

¹ Reflecting allocation of anticipated deficits if present law were to be in effect through all of 1962.

Senator ALLOTT. As you will see by this table, the increase in the beet quota is only about 10 percent at the present level of consumption, over what it would be if the present law were in effect all this year and if the anticipated offshore domestic deficits are taken into consideration.

You will notice that no deficits are reflected in the new basic quotas because under this bill, all domestic quotas will be allocated to foreign nations.

In contrast to the modest increase in the beet quota, some of the increases given to foreign countries by this bill are astronomical.

So you may make the comparison, Mr. Chairman, I should like your permission to insert at this point in the record a table showing foreign quotas and temporary allocations proposed by this bill, and foreign quotas under the present law.

The CHAIRMAN. Without objection.

(The table referred to follows:)

TABLE II.—Foreign quotas and temporary allocations under H.R. 12154 and foreign quotas under present law at 9,700,000-ton consumption level

(Short tons, raw value)

Country	Present law quota	H.R. 12154	
		Basic quota	Temporary allocation
Cuba.....	3,208,000	1,500,000	.....
Philippines.....	980,000	1,050,000	150,000
Peru.....	108,518	200,000	150,000
Dominican Republic.....	96,308	200,000	150,000
Mexico.....	80,108	200,000	150,000
Nicaragua.....	18,748	30,000	.....
Haiti.....	7,640	25,000	.....
Netherlands.....	3,940	10,000	.....
Republic of China.....	3,802	45,000	150,000
Panama.....	3,802	15,000	.....
Costa Rica.....	3,792	30,000	.....
British West Indies.....	84	100,000	150,000
Colombia.....	0	35,000	.....
Brazil.....	0	190,000	150,000
India.....	0	36,000	100,000
El Salvador.....	0	10,000	.....
Fiji Islands.....	0	10,000	.....
French West Indies.....	0	40,000	.....
Australia.....	0	60,000	150,000
South Africa.....	0	20,000	100,000
Mauritius.....	0	10,000	100,000
Ecuador.....	0	30,000	.....
Guatemala.....	0	20,000	.....
Argentina.....	0	20,000	.....
Paraguay.....	0	10,000	.....
British Honduras.....	0	10,000	.....
Canada.....	631	631	.....
United Kingdom.....	616	616	.....
Belgium.....	182	182	.....
Hong Kong.....	3	3	.....

¹ Withheld from Cuba and allocated temporarily as shown in 3d column.

Senator ALLOTT. As I pointed out earlier, however, although the bill does not provide substantial increases for the beet sugar industry, it does provide a good measure of stability.

It exchanges the uncertain deficit allocations for the certainty of a modestly larger basic quota. Because this will mean increased stability for the beet sugar industry of Colorado, I am glad to support the domestic quota provisions of the bill.

Now, Mr. Chairman, in about 1 minute, I would like to comment on one other aspect of the bill which I have not included in my statement, and that is the so-called temporary allocations of the Cuban quota.

I must disagree with the provisions of the House bill in this respect.

There are two reasons, two main reasons, for this, in my opinion. The first is that no nation or country or territory which receives a temporary allocation can possibly or will regard it as a temporary allocation beyond the first year.

If the temporary allocation continues as long as 2 years these people will begin to consider that they have a vested interest in this allocation, and thus the disruption, if it should be attempted to be taken away later, is going to cause us, in my opinion, very great harm.

The second reason and which I feel is a basic mistake in this respect is this: There are others, but these are the two main reasons—and that is that in the case of Cuba, in which I have been very greatly interested for a period of several years, in the case of Cuba, we have there a situation which we all know about, but one of the certainly indisputable characteristics of this country at the present time is the extreme economic situation in which it finds itself, where even basic foods, particularly basic proteins, are rationed to such an extreme degree that this in itself may help us solve the Cuban situation.

Now, we had in—this is hard for us to realize since we all have ability in emotionalism about Cuba at the present time—it is hard for us to realize that Cuba has furnished us with a steady supply of sugar over a great number of years, and that they have even held during war years sugar supplies in reserve and stored them for our use.

Now, the basic quota allotted to Cuba of 1½ million short tons, in my opinion, if allocated on a temporary basis, will take away from Cuba, and from the—particularly the—people in Cuba, the cherry that we ought to keep dangling before them as an incentive to overthrow their own government.

If we allocate this on even a temporary base, knowing that these countries are going to assume that it is permanent real quick, if we allocate it on a temporary base, we are taking away from Cuba and saying to them, "There isn't any hope because even if you should overthrow your government, you cannot go back to the method that you have."

I do not advocate any allocation to Cuba at this time.

I would oppose it very violently, but I do not think we should make a temporary allocation of these quotas to these other countries and thus destroy the incentive that these people might have for re-establishing in Cuba a very active and good sugarbeet industry which they are going—not sugarbeet, sugarcane industry—which they are going to have to have come the day that those people are able to overthrow their Communist masters.

I want to express my appreciation to the committee for listening to me, and the opportunity to be here.

The CHAIRMAN. Thank you very much, Senator Allott.

Any questions?

The Chair has been requested to insert at this point in the record the statement from Senator Frank E. Moss of Utah; and another statement by Senator John A. Carroll.

(The statements referred to follow.)

STATEMENT OF HON. FRANK E. MOSS, U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman and members of the committee, the Sugar Act is of tremendous important to the farmers of Utah, and I appreciate the opportunity to speak in their behalf. I shall confine my comments to the domestic provisions of the bill H.R. 12154, and specifically and in particular to the provisions that affect the domestic beet sugar industry.

The beet sugar industry has had a long and colorful history in the State of Utah. One of the great epics of pioneer America is the courageous effort to establish a beet sugar industry in Utah more than a hundred years ago. Machinery for a beet sugar processing plant was purchased in England and hauled across the plains of America by ox team, under great hardship, in the early 1850's. That first great effort met insurmountable difficulties and later the project was abandoned. Some 40 years later the first successful beet sugar

plant in Utah was established in Lehi. This was the first beet sugar mill in America to be constructed entirely of American machinery by American workmen, and it had many years of successful operation.

The mill at Lehi was the forerunner of the industry which contributes so much to the Utah economy today. Now there are five beet sugar factories in my State, and sugarbeets are grown by farmers in 10 counties. Utah is also one of four States which produces sugarbeet seed.

And so you can see why the terms of this bill, which directly govern the conditions under which sugar is marketed in the United States, is of such concern to the farmers, and in fact, to all the people of Utah.

The bill would provide a slight increase in the beet sugar quota—permitting about 10 percent greater marketing of beet sugar this year than under terms of the present law. The bill would also provide a slightly larger share of future growth in the U.S.-sugar market for the beet sugar industry. Annual sugar consumption per capita is practically constant in the United States—with some seasonal variations, of course—and so as our population grows, the need for sugar grows.

It is sound national policy, in the state of the world today, that we should place greater reliance on the sugarbeet producers of Utah and other States, not only for our current supplies, but also for our future supplies.

The slight increase in the beet sugar share of future growth in our market will help to permit some new growers to produce sugarbeets. It should also help to provide for at least part of the increasing yields per acre which the splendid technological improvements in the beet sugar industry are bringing about.

However, the chief benefits which will accrue to the farmers to the economy of Utah from the domestic features of this bill are the benefits of stability. For 2 years the industry—indeed the whole sugar industry of the United States—has been plagued by the uncertainties and vagaries inherent in the series of short-term extensions of the Sugar Act which we have been obliged to enact under the pressure of the times. Now, however, we have the opportunity, and I believe the obligation, to enact a long-range law which will enable our farmers to know the conditions under which their sugar will be sold—not for only a few months or a few weeks ahead, but for the next 4½ years.

May I point out, Mr. Chairman, that not until next year will most of the sugar be sold that is produced from the crop that is now in the ground in Utah. A long-range law is essential for the sensible planning of our State's agriculture, and the agriculture in all the States in which sugar crops are grown.

And so I strongly urge the enactment of a long-range law, before the present act expires at the end of next week, a law that embodies the principles of the domestic features of H.R. 12154.

STATEMENT BY HON. JOHN A. CARROLL, SENATOR FROM THE STATE OF COLORADO
CONSUMERS AND FARMERS NEED THE SUGAR ACT

Mr. Chairman, in November of 1930 a man, whose friendship I cherished above all others and whose memory I revere to this day, was elected to the U.S. Senate from Colorado.

I am proud to have played a part in sending him here.

The people of the United States best remember him as the father of the first Sugar Act—the late Senator Edward P. Costigan.

The Jones-Costigan Sugar Act has been, for 28 years, a stabilizing force in the sugar economy of the world.

Senator Costigan was a man dedicated to promoting the common good.

The chaos in the sugar market in the post-World War I years dramatized to Senator Costigan the need for a marketing system that would accomplish three objectives: (1) Hold sugar prices to the housewife at a low and stable level, (2) guarantee American consumers a steady sugar supply, and (3) provide a decent income to the family farmer growing beets or cane.

Early in 1934 President Roosevelt asked for a sugar program.

Senator Costigan's sugar plan was signed into law by the President on May 9, 1934.

The basic philosophy of the Costigan sugar plan is retained today in the bill before this committee. Only some of the details have been changed.

SUPPLY MANAGEMENT PRINCIPLE

The fundamental Costigan principle was one of supply management. It sought to balance supplies with demand by assigning, under a quota system, a portion of the market needs to producer units.

Compensatory payments were to be made to producers for adjusting their production to marketing quotas. These payments augmented their income and guaranteed an equitable division of sugar returns among beet and cane processors, farmer and hired laborers. The payments also provided for the elimination of child-labor.

The Costigan formula has worked with unbelievable success.

There are no sugarbeet or cane farmers, nor processing companies, who would do away with the Costigan supply management formula.

Nor would the housewife want to return to the years when sugar would cost 10 cents a pound, go to 28 cents a pound, then back down to 7 cents a pound, all in the space of 34 months. This is what was happening in 1920.

The supply management, compensatory program has succeeded and should be retained intact and extended for 5 years, as proposed by the House of Representatives.

FARM BUREAU AGREES TO MARKETING PRINCIPLE

I was pleased to see, Mr. Chairman, that yesterday the representative of the Farm Bureau supported the Jones-Costigan marketing control principle. In answer to a question he stated that the Farm Bureau endorsed the principle of marketing controls and compensatory payments for certain agricultural products, namely sugar and wool. This means that all important national farm organizations agree on the basic principles in the legislation we have before us.

This in itself is again a great tribute to the men who drafted the first act back in 1934. It has succeeded so well that 28 years later farmer organizations and processor organizations, who not often agree on anything, do agree that this particular supply management program is effective and must be extended in the interest of the common good.

CONSUMER HAS BENEFITED

The Jones-Costigan sugar program has served the consumer well.

No other basic food has been more stable in supply and price than sugar.

Great fluctuations have occurred in the prices of some food products, especially those imported.

The price of sugar for 25 years has been "reasonable" by anybody's standards.

Related to the wholesale price index for all foods, sugar was 4.82 cents per pound in 1938 and 4.15 cents per pound in 1961. (The index for all foods was 93 in 1938 and 222 in 1961.)

Related to disposable personal income, sugar was 4.57 cents per pound in 1938 and 2.38 cents per pound in 1961.

And the Jones-Costigan formula has held American sugar prices stable in the face of international sugar prices.

The United Nations Food and Agriculture Organization recently reported that the average retail price of sugar in the United States was 5 cents per pound below the median price of sugar in 121 foreign nations.

This is not the low, so-called world price which applies to the "dump" or residual sugar of about 5 million tons, some of which comes to the United States. Rather, the FAO is referring to the 57.5 million tons of sugar consumed around the world.

Other evidence of the effectiveness of the Jones-Costigan formula in stabilizing the price of sugar is the fact that an American workman needs to spend less time at his job than a workman in any other nation in the world in order to earn enough to buy a pound of sugar.

A bricklayer in the United States needs to work only 4 minutes to buy a kilogram (2.2 pounds) of sugar.

In England a man must work 20 minutes; in France, 24 minutes; in Italy, 82 minutes; in Russia, 324 minutes.

THE JONES-COSTIGAN ACT HAS WORKED

It is evident that the Jones-Costigan supply management, compensatory payment sugar program has achieved the objectives of its authors.

It has made possible the production, as a matter of national security, of one-half of our sugar needs within the United States without a protective tariff; it has assured consumers of a plentiful and stable supply of sugar; it has kept prices at a reasonable level.

The one-half cent per pound tax imposed on all sugar manufactured or imported into the United States has made the Jones-Costigan program as fiscally sound as the most conservative politician could ask for.

THE SUGAR ACT IS FISCALLY SOUND

Since 1937 there has been a net return to the U.S. Treasury of over \$450 million after compensatory payments to domestic sugar producers. This is the difference between the sugar excise tax collections and stabilization payments.

In 1960, for example, the total sugar tax collections were \$94,955,473.

The total compensatory payments to producers were \$72,985,573.

The net gain to the U.S. Treasury was \$22 million.

The Jones-Costigan sugar program is fiscally sound.

COLORADO NEEDS SUGAR ACT

Many times, Mr. Chairman, I have described the value of the Sugar Act to the people of the State of Colorado.

On May 14 of this year I told the Senate how the economy of Colorado benefits from the Sugar Act.

I shall not go into detail here, but I will at least remind the members of the committee that Colorado is the second largest sugarbeet-producing State in the Union.

Sugarbeets produce \$70 million in annual income in Colorado.

We have more farms producing sugar beets in Colorado than any other State in the Union.

Colorado's interest in extension of the Sugar Act is considerable.

As a Coloradan I can tell you of the need of our farmers, our processors, and our consumers for stabilizing legislation.

As a Coloradan I can tell you of our pride in the wisdom and foresightedness of our late Senator, Ed Costigan, who fashioned the first sugar program.

It was because Senator Costigan knew firsthand the plight of our sugar farmers, our sugar factories, and our sugar consumers in Colorado that the first Sugar Act was born.

Now, 28 years later, I ask that the Costigan plan be extended so that the people of his State of Colorado may continue to enjoy the good fruits of the wise and practical program he devised.

Senator DOUGLAS. Mr. Chairman, I understand that the W. R. Grace Co. feels that certain implications of the statements of the Senator from Illinois relative to Peru might be interpreted adversely to them, and that they are preparing a statement, not necessarily in reply or explanation, but further developing the issues, and I ask that that, in all fairness be printed immediately following the comments on Peru which I made on Wednesday.

The CHAIRMAN. Without objection. The insertion will be made. (See p. 61.)

The next witness is Oscar L. Chapman, former Secretary of the Interior, representing the Mexican Association of Sugar Producers.

Mr. Chapman, take a seat, sir, and proceed.

STATEMENT OF OSCAR L. CHAPMAN, COUNSEL FOR UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO)

Mr. CHAPMAN. Thank you, Senator.

Mr. Chairman, I have brought with me some charts which I thought would help expedite the discussion because of the fact of the limitation of time.

I have briefed my remarks, but I would like to ask that this committee permit me to file a fuller statement for the record.

The CHAIRMAN. Without objection the insertion will be made following your oral presentation.

Mr. CHAPMAN. Mr. Chairman and members of the committee, my name is Oscar L. Chapman.

I am appearing here on behalf of the Association of Sugar Producers of Mexico, which, together with the peoples of Mexico and the United States, has a very vital stake in this legislation.

I realize that time is very short and therefore I have prepared a short statement in outline form which I will present orally.

With the committee's permission, however, I would like to insert into the record a longer statement which substantiates in detail every statement I will make in the oral presentation.

Before getting into the body of my statement, I would like to make three preliminary comments which may serve to bring the remainder of my statement into sharper focus.

First. I do not represent the Government of Mexico in this proceeding, and, therefore, I am not authorized to state the position of that Government. My one and only client here is the Sugar Producers Association of Mexico which I have been representing since 1955, and not solely for the purpose of obtaining a sugar quota, but in other matters for them as well.

Second. Mexico does not appear here asking for aid. On the contrary, as I shall point out in greater detail later, Mexico, more than any other country, appears here as an honest seller to discuss common price and supply problems with the representatives of its largest foreign sugar customer.

Fourth. The Sugar Producers Association of Mexico does not wish to express any opinion on the portion of the House bill designed to give additional relief to the U.S. domestic producers. Nor do we wish to express any opinion on the quota assigned to any particular foreign country, other than Mexico. Our purpose here is to make a positive case for Mexico, not a negative case for someone else. And that means that we are here to try to present a positive case for Mexico for that portion of the market that the domestic producers cannot supply.

The rest of my statement I will present in outline form, merely making bare assertions, as is required by the amount of time allotted to me.

Rest assured, however, that I can support with statistics, history, and reasoning every statement made in this outline, and during the question period I will be happy to do so.

I. The basic purpose of any governmental program relating to sugar is to provide an adequate and continuous supply to the United States at a price which is fair to both the producer and the consumer.

II. Markets for some products, including sugar, must be stabilized if there is to be an adequate supply at reasonable prices.

A. The countries of the world have recognized the validity of this proposition by executing commodity stabilization agreements for sugar, tin, wheat, and olive oil. One is also being considered for coffee.

B. The United Nations recognized the validity of this proposition in 1953 when it issued a report saying:

Sugar exhibits to an unusual degree the features that make the operation of an unregulated free market undesirable.

C. The United States recognized the validity of this proposition when it signed the Punta del Este Charter, committing itself to help to find a—

solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries. * * *

D. History has shown that without some stabilization of the market, sugar prices and supplies fluctuate greatly from year to year. For example, with an unregulated market, the price dropped from more than 9 cents a pound in 1920, to a little more than 3 cents a pound in 1921; from more than 4 cents a pound in 1923 to less than 1 cent a pound in 1932. On the other hand, since the Sugar Act was put into effect in 1934, the U.S. price of sugar has been very stable.

E. The global quota and price recapture scheme would produce greater market instability and therefore would not provide an adequate supply at reasonable prices.

III. In addition to not accomplishing the basic purpose of governmental sugar programs, the global quota and price recapture scheme would have harmful political and economic side effects as well.

A. It has been stated by proponents of the scheme that it would assure a more stable supply of sugar to the United States, but history does not support this theory.

B. It has been stated that it would save the United States more than \$180 million in foreign exchange each year. This is also untrue. In fact, in some years the scheme could increase the cost of the sugar which the United States buys from foreign suppliers by as much as \$254 million.

C. Significantly, the proponents of the scheme have not mentioned its effect on the U.S. consumer, but the fact is that it could only increase the cost of sugar to the U.S. consumer because the present program sets both a floor and a ceiling on the U.S. price, while the global quota scheme would set only a floor and not a ceiling.

D. The proponents of the scheme have said that it would improve the U.S. balance of payments position. This is also untrue because—

1. It would in some years cause the United States to pay more for its foreign sugar supplies; and

2. It would reduce the exports of the United States because—
 - (a) It would reduce the ability of the Latin American countries to buy from us; and

- (b) It would take dollars away from countries which buy most of their imports from us and give them to countries which buy more from others; and

3. It would devastate the economies of several friendly Latin American countries, thereby increasing the need for U.S. assistance.

E. The proponents of the global quota scheme have said that part of the price paid to foreign suppliers should be taxed away because aid can more effectively be given directly than through the Sugar Act. This assertion rests on two assumptions which are largely erroneous.

1. It assumes that the part of the price paid by the United States which is in excess of the world price is unnecessary and, therefore, is in the nature of a gift. This is not true because—

- (a) Almost 90 percent of the world's sugar is sold at prices in excess of the so-called world price. Most large consuming

nations have found it necessary to pay such premium prices in order to assure themselves of a constant supply even during emergencies.

(b) Moreover, such premium prices encourage the producing nations to keep reserves adequate to meet the emergency needs of premium price countries. During years of unexpected high production some of these reserves are dumped on the world market, thereby depressing the price; during years of low production the opposite effect is obtained. By maintaining a stable price the United States insulates itself from the instability of the unregulated market. Therefore, by paying premium prices the United States simply gets what it pays for, that is, an assured supply of sugar at a reasonable price.

2. Even though no part of the sugar price can be considered as "aid," it would be difficult to find a program which more directly benefited the small farmer and the worker. For example, in Mexico—

(a) The gross revenues from the sale of sugar are divided as follows: 14 percent for costs of sales, 24 percent to the sugar mills, 19 percent to the millworkers, and 43 percent to the cane growers.

(b) Fifty percent of the net proceeds after sales must, by statute, be distributed to cane growers. Last year in Mexico there were 83,000 such cane growers with an average holding of only 9 acres.

F. The proponents of the global quota scheme have also said that it would make it easier for Cuba to return to the U.S. market. This is untrue. Under the global quota scheme all countries, including Cuba, would receive the so-called world price for sugar sold in the United States. Since Cuba now sells its sugar to the Communist bloc at a price in excess of the so-called world price, the global quota scheme would make it more difficult, not easier, for Cuba to return to the family of free nations. Even discounting the higher Communist bloc price, the situation is the same, because if Cuba suddenly sold its sugar on the world market the price would be seriously depressed. In such a case Cuba and all other countries selling to the United States would receive the then ruinous "world market price."

G. The global quota scheme is contrary to the purpose of both the U.S. foreign aid program and the Punta del Este Charter because it would create an unstable market for a basic Latin American export commodity.

1. Our foreign aid officials have frequently recognized that the fluctuation of a few cents per pound in the price of basic export commodities can wipe out any gains that might have been made as a result of U.S. assistance.

2. The Punta del Este Charter states that—

National measures affecting commerce in primary products should be directed and applied in order to: * * * (2) avoid market instability.

IV. The best available means to assure the United States of an adequate supply of sugar at reasonable prices is to continue the country quota and premium price provisions; but to redistribute foreign quotas so that there is no one dominant foreign supplier.

A. This committee has been presented with two proposals: the global quota scheme and the House bill. It is clear that the global quota scheme will create many problems and solve none, and it is equally

clear that the House bill continues a price and supply mechanism that has achieved acceptable results for almost 30 years. Therefore, the basic features of the House bill, I think, should be accepted.

B. Quotas should be redistributed, however, because by taking a large share of its foreign supplies from one country, the United States creates an overdependence in that country on one product and on one customer, and thereby creates serious economic and political problems both for itself and for the supplying country. Therefore, sugar quotas should be redistributed so that there is no one dominant supplier.

V. In any redistribution of quotas it is clear that no matter what factors are considered Mexico should be among the major suppliers. I direct your attention to chart 1.

If you will notice that chart gives you the foreign trade of the United States with principal Western Hemisphere quota countries for a 5-year period from 1957 through 1961.

And they will tell you the trade balance between the two countries.

A. Overall purchases from the United States: Mexico purchases more from the United States than almost all of the other present quota countries combined. In addition, Mexico has an imbalance of trade with the United States for the past 5 years in the neighborhood of \$2 billion.

B. Mexico's balance of payment: There are those who think that the deficit in Mexico's balance of trade with the United States is made up by Mexican receipts from tourism and braceros so that in fact Mexico has a favorable balance of payments. Nothing could be further from the truth. In fact, Mexico's balance of payments with the United States has been very unfavorable, and had it not been for Mexico's sugar sales in the United States last year, Mexico would no doubt have had to find some way to curtail foreign purchases, most of which are made in the United States. Thus, not only is Mexico's balance of trade unfavorable but so is its balance of payments.

C. Purchase of agricultural commodities: Chart 2, I want to show you the chart of the quota countries, how they purchase for cash and on aid basis farm commodities from the United States. As you notice Mexico is first there. She has purchased \$60 million plus a few dollars from us during that period by direct cash, and \$2,102,000 by certain aid programs.

If you follow that down straight through the line, the British West Indies bought \$38,472,000 with direct cash, and \$858,000 by aid.

You follow that straight through and you will see that Mexico's cash position in purchasing from the United States is greater than any other country in Latin America that has a quota.

D. U.S. balance of payments: Nearly 80 percent of Mexico's foreign purchases are made in the United States, of all of her foreign purchases. This is a much higher percentage than any other country. Therefore, sugar dollars paid to Mexico create more exports for the United States and contribute more to solving the U.S. balance-of-payment problems than those paid to any other country.

Once again I would like to thank you for the opportunity to appear here and express the views of the Mexican sugar industry which I have represented for many years, not only in connection with sugar quotas, as I have indicated, but also for all its other legal business in the United States.

I know that this committee is very pressed for time and so this opportunity to appear and your courteous attention are doubly appreciated.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Any questions?

Senator MORTON. Mr. Chairman, I have some.

Mr. Secretary, going back to your first chart there, the one that showed—

Mr. CHAPMAN. That is the 5-year total.

Senator MORTON. Yes.

As I recall it, you indicated that even with tourism, so far as Mexico is concerned, the balance of payments including tourism were unfavorable.

Mr. CHAPMAN. It still would be, yes. Obviously, the tourism helps in every country. It always helps.

Senator MORTON. Yes.

Mr. CHAPMAN. But even that does not give them a favorable balance of payments.

Senator MORTON. What do you estimate our annual tourism in Mexico? Is there any accurate way of estimating it?

Mr. CHAPMAN. You can get a fairly good accurate estimate on that, I think, Senator. It is possible—it is probably, if I remember those figures correctly, about \$600 or \$700 million.

Wait, I have it here: Income from tourism is \$546 million in 1957, \$707 million in 1961. That would still leave us with an unfavorable balance of payments.

The total exports in 1957 were \$1,315 million, and in 1961 were \$573 million.

Senator MORTON. What is the history of our, in terms of tons or any other figure that you can correlate, the history of our imports of sugar, from sugar, over, let's say, the past 10 years or 12 years?

Mr. CHAPMAN. I remember, Senator, back in 1955 when the sugar bill was under consideration at that time Mexico only had 11,000 tons in this market, only that total. Since that time, the law of 1956, the Senate saw in its wisdom to grant us an increase, a moderate increase, so that it has been brought up to approximately 80,000 to 85,000 tons at the present time on our basic quota.

But in addition to that, when the redistribution of the Cuban quota came—became effective, Mexico shipped last year 680-some thousand tons, which covered the redistribution of the quota.

The problem there, Senator, was simply one of the Department of Agriculture being able to find a source of supply on such a short notice of time, and being able to get the supply available to us.

That was the real problem, and they did produce, both last year and the year before, they had that much actual reserve.

Senator MORTON. Yes; I realize that after the Cuban situation developed, that we were fortunate to find as nearby as Mexico an adequate supply of sugar. But I was wondering about the basic—the history of the basic quota.

In the 1948 act, Mexico was specifically mentioned.

Mr. CHAPMAN. In 1956 Mexico was specifically given a substantial quota.

That was in 1956. She had previously to that only 11,000 tons which was, I think, mostly token. But after the 1956 act they gave her an increase that gradually increased a little bit each year and participated in our increment growth of the market here.

Senator MORTON. You said, Mr. Secretary, the Senate put it in.

Did the House put it in?

Mr. CHAPMAN. Well, both agreed to it, of course; I didn't mean to distinguish between them.

Senator MORTON. They put it in first?

Mr. CHAPMAN. I think they did put it in; yes.

Senator MORTON. I was managing the bill then for the Department and I remember it was over my objections that it was done.

Mr. Secretary, I have been the victim of an unfriendly press in my State and there have been some stories going around in a certain Washington newspaper which has linked your name into the story, and just to give you a chance to straighten certain matters out, I am sure that your relationship with your client is not on a contingent basis based on the tonnage of sugar?

Mr. CHAPMAN. Yes, partly.

Senator MORTON. Partly?

Mr. CHAPMAN. Partly, yes.

Senator MORTON. I felt if you had any comment, I don't want to press this—

Mr. CHAPMAN. That is all right.

Senator MORTON. If you had any comment to make I want to give you an opportunity to publicly state it. I rarely in Kentucky get an opportunity to answer mine except by radio, buying radio time.

Mr. CHAPMAN. I appreciate that, Senator.

The contract we have is a basic contract for a flat fee and then a small additional fee on increased tonnage. That is filed with the Justice Department that require filing for all people who lobby any legislation. But, as I said to you before, I do much work for these people that has nothing to do with this legislation.

Senator MORTON. That is all, thank you.

Mr. CHAPMAN. I realize that.

Senator MORTON. That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Senator FULBRIGHT. Well, this filing with the Department of Justice, what is required by that law?

Mr. CHAPMAN. It is required that you file your contract that you have with any foreign clients.

Senator FULBRIGHT. Is that public knowledge?

Mr. CHAPMAN. It is public knowledge to everybody. It has been there since 1956 or 1955.

Senator FULBRIGHT. Well then, to clarify the record so there will be no misunderstanding, you did file?

Mr. CHAPMAN. Oh, yes, we always did.

Senator FULBRIGHT. What year did you first file?

Mr. CHAPMAN. We filed in 1955.

Senator FULBRIGHT. In 1955?

Mr. CHAPMAN. Yes.

Senator FULBRIGHT. What did that contract provide?

Mr. CHAPMAN. That contract provided for a basic flat fee.

Senator FULBRIGHT. Of how much?

Mr. CHAPMAN. I have forgotten what it was, Senator, but I think it was \$20,000 plus expenses.

Senator FULBRIGHT. At that time how much was the quota of Mexico?

Mr. CHAPMAN. 11,000 tons.

Senator FULBRIGHT. And it is now how much?

Mr. CHAPMAN. Between 85 to 90, I believe is the exact tonnage of the basic quota, Senator.

Senator FULBRIGHT. Is your fee based upon, as you say, the increase in the tonnage, the more tons you get the more fee you get?

Mr. CHAPMAN. Not of that, no. None of that was included in that.

Senator FULBRIGHT. That is what I didn't understand.

Mr. CHAPMAN. That was not in that case but I want to be absolutely correct to Senator Morton.

My second contract that has been filed—you see I had a 4-year contract beginning in 1956 or 1955 which called for a flat fee.

Now, after that we had a renewed contract in which it does call for a small percentage on tonnage.

Senator FULBRIGHT. Has that been filed?

Mr. CHAPMAN. Yes, sir. Everything.

Senator FULBRIGHT. Now, in 1956 was Mexico an exporter of sugar—

The CHAIRMAN. Will the Senator yield?

Senator FULBRIGHT. Yes.

The CHAIRMAN. The list I have here is that Mexico has 200,000.

Mr. CHAPMAN. That is the new one, I think, Senator.

The CHAIRMAN. No, a basic quota.

Senator MORTON. Under this bill.

The CHAIRMAN. Under this bill, and then it is allocated 150,000 more tons for the 1,500,000 of Cuban sugar?

Mr. CHAPMAN. Yes.

The CHAIRMAN. That makes 350,000 tons under the House bill?

Mr. CHAPMAN. That is correct.

The CHAIRMAN. Is that correct?

Mr. CHAPMAN. That is correct. But the percentage in my contract does not include any temporary allocation of the Cuban sugar, nothing but the basic quota.

Senator FULBRIGHT. The basic quota today is 80,108 short tons, isn't it?

Mr. CHAPMAN. I think so.

Senator FULBRIGHT. Who knows better than you?

Mr. CHAPMAN. I think that is what it is.

Senator FULBRIGHT. That is what I thought.

In 1956, according to the Agriculture Department, Mexico was a sugar importer, is that right?

Mr. CHAPMAN. No.

Senator FULBRIGHT. Are you sure?

Mr. CHAPMAN. I am positive.

Senator FULBRIGHT. Did she have a surplus?

Mr. CHAPMAN. She was shipping on the world market.

Senator FULBRIGHT. Do you know how much?

Mr. CHAPMAN. I don't have the figures before me, Senator, but I would like to supply that for you for the record.

(The following was later received for the record:)

Mexico—Exports, imports, and surplus, 1955 to 1961

[Thousand short tons, raw value]

Calendar year	Exports	Imports	Net exports	Surplus end of year
1955.....	87.7	0	87.7	232.5
1956 ¹	37.5	34.4	3.1	110.9
1957.....	103.3	18.1	85.2	268.0
1958.....	208.2	0	208.2	275.2
1959.....	148.0	0	148.0	552.9
1960.....	508.7	0	508.7	487.8
1961.....	672.7	0	672.7	180.0

¹ 1956 production substantially reduced by natural disasters: hurricane, floods, and drought.

Source: International Sugar Council Statistical Bulletins, vol. 19, No. 1; vol 21, No. 4.

Senator FULBRIGHT. Well; between 1956 and 1959 was the production of sugar in Mexico increased?

Mr. CHAPMAN. Slightly.

Senator FULBRIGHT. Well, according to the Department of Agriculture in 1956 it was 900,000 tons and rose to 1,731,000 in 1959.

Do you call that slightly?

Mr. CHAPMAN. Well, I say slightly when you have got to consider the growth factor of their own market.

Senator FULBRIGHT. It doubled?

Mr. CHAPMAN. For their own market, too.

Senator FULBRIGHT. But was this not in response to the possibility of getting into this market?

Mr. CHAPMAN. I don't think that was necessarily in response to this market, Senator.

Senator FULBRIGHT. Wasn't part of your duties, and I, of course, now I have great respect for you, but I am interested in the economics of the sugar bill, I don't care what you get.

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. But just as an illustration of the way it works. You were employed to obtain a higher quota?

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. According to the Department of Agriculture, I wouldn't say they are always correct, but they have some vague idea of these things.

Mr. CHAPMAN. Oh, yes.

Senator FULBRIGHT. The production rose from 900,000 tons to 1,731,000 tons in those 3 years and this was while you were endeavoring to get a bigger share of the American market; isn't that correct?

Mr. CHAPMAN. Most of that increase was before Cuba was ever out of the market, Senator.

Senator FULBRIGHT. But it was your purpose, and the reason they hired you, which is perfectly legitimate to get, I believe in your original contract it stated that it was your purpose to get, 2 percent of all U.S. sugar consumption.

Mr. CHAPMAN. That is what we asked for.

Senator FULBRIGHT. That is right.

Mr. CHAPMAN. We asked for it.

Senator FULBRIGHT. That was your objective; it is perfectly legitimate.

Mr. CHAPMAN. Sure, that is right.

Senator FULBRIGHT. I only wanted to show that what happens here under the operations of this act is that Mexico is not doing a thing different from others and you are not either, but the economics of this and with this prospect of this enormous handout from the American Treasury this puts an irresistible pressure upon all of these countries to do just what you have done, which is to increase their quota, and it also has increased their production, almost doubled it, within this short period, isn't that true?

Mr. CHAPMAN. Well, it was primarily to help their own economy.

Senator FULBRIGHT. Sure.

Mr. CHAPMAN. Increase it.

Senator FULBRIGHT. I don't question that at all. I am only trying to get the facts of the way.

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. This bill operates.

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. But this kind of method which is quite different from any other agricultural commodity.

Mr. CHAPMAN. I agree with you. It is different from any other.

Senator FULBRIGHT. Sure it is. So with this vast increase, nearly double, you were prepared when the Cuban thing broke to supply the market.

Mr. CHAPMAN. That is right, they had over 500,000 surplus stored at that time.

Senator FULBRIGHT. However, as I say, the Department of Agriculture, according to my information, said that before 1956, Mexico was not a substantial exporter.

In fact, it says it was a sugar importer.

Mr. CHAPMAN. That is correct, but not importer. They were not.

Senator FULBRIGHT. Not an exporter?

Mr. CHAPMAN. No.

Senator FULBRIGHT. So as a result of the operations of this bill we have there created, increased and created both there as we have at home an artificial industry dependent upon this premium price at the taxpayer's expense and that is about it, isn't it?

Mr. CHAPMAN. Senator, let me put it in what I think is proper perspective on how you discuss it.

Here the United States was depending on one principal supplier, Cuba, for almost half of its needs, sugar needs. I think it is perfectly sound and safe policy for the United States to say we will purchase and divide our needs for sugar among many of our Southern friends, rather than just to depend upon one country as we have been doing in Cuba.

Senator FULBRIGHT. The administration's bill is to throw this market open and depend on anybody that can produce it at the lowest price, that makes the whole world available as a possible market, doesn't it?

Mr. CHAPMAN. Well, Senator, I can understand exactly what you are saying because I lived through that during the twenties and the

thirties when I saw the sugar industry of Colorado go completely into chaos and had it not been for the great ingenuity of a man like Frank Kemp, they would never have saved the industry.

Senator FULBRIGHT. The same thing was true with the cotton problem when it went to 5 cents but we never solved the cotton problem like we do with the sugar bill.

My only question is why don't we do it by assisting it in the same way that cotton, tobacco, wheat and rice are done?

Mr. CHAPMAN. Well, Senator, this bill has worked so well over the years, I just don't see how you can compare it.

Senator FULBRIGHT. Worked well for whom? Mexico?

Mr. CHAPMAN. For the supplier and the consumers.

Senator FULBRIGHT. And for you, it has worked well for you, I can understand your interest in it.

Mr. CHAPMAN. Oh, yes, I have an interest, but, Senator, there is another interest I have in this.

Senator FULBRIGHT. You have indicated an interest.

Mr. CHAPMAN. I have another interest in this. I have to give you a little history. I happened to work with Senator Costigan who wrote and drafted this original bill in 1933, I spent many hours with him working on this bill to try to establish a bill that would stabilize the sugar market and sugar industry of the United States, and the man in this city who knows more about these details, and the purposes of the original bill is Dr. Bernhardt who is here today, who worked with Senator Costigan the Secretary of Agriculture in trying to develop a bill that would stabilize the sugar industry of the United States and at a reasonable price. It was through his own ingenuity and Marvin Jones, Congressman Jones from Texas who worked out the plan on these incentives for the small payment, processing tax payment, on it.

Senator FULBRIGHT. This bill was really modeled after the NRA, wasn't it, during a period of extreme depression in this country? It had many of the same aspects of the NRA. The NRA was declared unconstitutional and thrown out, wasn't it?

Mr. CHAPMAN. NRA had quite a different basis, Senator, from this.

Senator FULBRIGHT. Generally speaking, they were identical.

Mr. CHAPMAN. I think their desire was the same but in method of operation they did not work. But this bill has worked and I think it has worked to the benefit of the industry at home and to the benefit of the suppliers abroad whom we have to get sugar from.

Senator FULBRIGHT. You wouldn't say it has benefited the consumers and taxpayers, would you?

Mr. CHAPMAN. Let's examine that.

It has benefited the consumer and taxpayer to this extent. They have had a stable market within a very fraction of a marginal fluctuation of a price and that is worth an awful lot to a consumer and to the other people. I know—

Senator FULBRIGHT. Not if that is—not if that price is as high as, for example, in Mexico. Is it not true the retail price in Mexico today, is twice as much in the United States as it is in Mexico?

Mr. CHAPMAN. I am sure it is.

Senator FULBRIGHT. What is the benefit of having an excessively high stable market?

Mr. CHAPMAN. The value is getting your supplies when you need it. If you throw this open to the world market, Senator, I am con-

vinced in my own experience with this you are going to see a completely devastated domestic industry, the sugar industry, forgetting Mexico.

Senator FULBRIGHT. Why couldn't we protect it the same way we do other domestic industries if they need it?

Mr. CHAPMAN. Well, that is something for Congress to talk about to see if they want to do it. This has worked so well and I think at a minimum cost.

Senator FULBRIGHT. Did you say to the Agriculture Committee in the House, and I quote, I want to know whether this is a correct quote or not—

The executive branch should be insulated against these pressures—that is from the lobbyists—

by allowing the Congress to allocate quotas among the foreign suppliers as it always has done in the past.

Mr. CHAPMAN. That sounds like what I have said, it is.

Senator FULBRIGHT. You say it is?

Mr. CHAPMAN. I believe that.

Senator FULBRIGHT. Why do you say that?

Mr. CHAPMAN. I say it for this reason. I think it is much more stable for the countries that you are going to get your supplies from to have a basic law to set exactly how much they are going to get for the next 3 or 4 years, rather than to have an administrative change overnight over within 1 year. You go to your departments, your various departments and you get an administrative decision. It may be for 1 year or it may be for 6 months. You don't know how long you will get it. But if you get a basic law then you have got a chance to develop your industry on the basis of what Congress says you can do.

Senator FULBRIGHT. Well, the implications from this is that the members of the House Committee on Agriculture are more immune from pressure from lobbyists than the executive branch.

Is that what you mean?

Mr. CHAPMAN. Senator, I don't think anyone is immune from people contacting you and asking you about discussing the merits of anything that they think is justifiable.

I don't think anyone is immune from it. I didn't find that I was immune when I was in the Department.

Senator FULBRIGHT. Well, it is much more profitable to be on the other side than it is in the Department in any case, isn't it?

Mr. CHAPMAN. Well, not always. Not always, sir.

Senator FULBRIGHT. I don't have any more questions.

That is all.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Chapman.

Senator MCCARTHY. I have just one question.

I would like the comment of Mr. Chapman as to the bearing of the sugar program on the balance of payments and flight of gold, with reference to some of the statements that have been made to the effect that if we adopted the global quota idea that the balance-of-payments situation might be improved and the flight of gold be discouraged.

Do you have an opinion on that general problem?

Mr. CHAPMAN. As to whether the flight of gold would be precipitated more by this method?

Senator McCARTHY. Well, the general question of the balance of payments would be improved or whether that would tend to deteriorate.

Mr. CHAPMAN. Well now, let me read you a little memorandum I have here separate from my statement that I prepared on the basis of this balance of payments on the global quota basis and the present basis.

Senator, I have here this prepared statement on this point and I want to read it to you, because it will give you an idea of what I think is correct. I may be wrong, and when I say I may be wrong I want—I don't have to tell you, I enjoyed this morning's session to see such a distinguished body of men have so many different points of view and yet understand you had to work to get something out and I was enjoying it this morning to see this debate between the committee here on these points of view and it is wonderful when people can have a different point of view; even if they differ with their friends, you have to give at least credit for honest conviction of people.

Now, in understanding the extent to which the global quota plan would contribute to the solution of our balance-of-payments problem, we must keep firmly in mind the fact that three items are involved:

First, you must consider the exact amount by which the scheme would reduce our payments to foreign countries.

It seems to me that the administration has overestimated this.

Second, you must consider the amount by which foreign countries will be forced to reduce their purchases from the United States because of their reduced income from sugar.

It seems to me that this has not been considered at all.

Third, you must consider the extent to which U.S. foreign assistance would be increased in order to make up for the reduced income of sugar-producing countries. I think that when all of these factors are considered any fairminded person would have to conclude that the possible balance-of-payments benefits have been grossly overestimated while the danger of creating further balance-of-payments difficulties has not been even mentioned.

But you should not accept my word on this matter any more than you should accept someone else's. Instead let us look at the facts.

First, let us consider the amount by which our payments to foreign countries would be reduced by the global quota plan.

The administration has estimated \$180 million.

But if we analyze this figure we find it equals the total tonnage imported in 1961 multiplied by the average difference between the world and the U.S. prices for that year.

What you have not been told is that in that year the difference between the world price and the U.S. price was higher than any year since World War II.

That, in fact, in most years the difference is much less than that and in some years the average world market price is higher than the U.S. price.

Thus in the years 1948, 1949, and 1957 the difference was negligible, and in each such year less than \$15 million, not \$180 million, would have been saved.

Moreover, in 1950, the world market price was higher than the price in the United States, and so the global quota scheme would have cost the United States about \$1 million that year.

But in 1951, the loss would have been even greater amounting to about \$40 million.

Thus, it can be seen that in some years the global quota plan might effect a reduction in payments amounting to as much as \$180 million.

In most years a much smaller reduction would be realized and in some years we would even suffer a loss.

The important point here is that it is no more accurate for someone else to tell you that the scheme would save \$180 million than it would be for me to say that it would save less than \$5 million.

Now, let us look at the extent to which the U.S. exports might be reduced as the result of the decreased purchasing power of sugar exporting countries.

Let us assume, for example, that the global quota scheme is put into effect and that in 1964 this results in the reduction of payments to foreign producers of \$50 million.

Let us also assume in order to simplify the problem, that all of this loss of income was suffered by Mexico, which is the country I know best.

Obviously, if Mexico's income were reduced by \$50 million it would have to reduce its expenditures abroad by the same amount.

Since 80 percent of its total expenditures abroad are made in the United States, its purchases from the United States would have to be reduced by 80 percent of \$50 million, or \$40 million.

Thus under the facts assumed, the global quota plan would cause a reduction of \$50 million in the amount paid to foreign countries, and a reduction of \$40 million in the amount earned through exports to those countries resulting from this reduction.

Does that answer your question on that point?

Senator McCARTHY. It is a response to my question in any case.

Do you have an opinion as to what countries would really supply sugar to us if we were to proceed under the global quota and without specific allocations? Would sugar come from essentially the same countries that are now covered in the House bill?

Mr. CHAPMAN. If it were thrown open to global quotas without any incentive payments, I suppose you would get it partly, mostly, from the same ones. But your problem would be the price fluctuation in the market.

That would absolutely destroy any stability in the market, if you threw it open that way.

Senator McCARTHY. The proportions taken by the countries listed here for allocations would be different, but the suppliers would be essentially the same countries, would they not?

Mr. CHAPMAN. But they would have difficulty in supplying at a world price in most cases.

Senator McCARTHY. Is there any pattern or do you think it is possible to develop any with regard to the wages that are paid the sugar workers in making these allocations? This would be in keeping, I think, with the general purposes of the Alliance for Progress. It would, at least, indicate a concern on the part of this committee over the point which has been made time and time again against our for-

sign aid programs, namely, that we do not get through and help the people who are most seriously in need.

What is the situation with regard to—you gave some figures about the number of small farms involved in sugar production in Mexico.

Do you have any statistics as to, say, hourly or weekly or annual income of sugar workers?

Mr. CHAIRMAN. Yes, I have, Senator. I have some information on that.

Let me say that I do not know whether this was distributed or not. It carries a very brief analysis there of how the dollar is divided up that goes to Mexico, and this only applies to Mexico.

It shows you that 48 percent of this goes to the cane growers. In Mexico the cane grower is a little man who owns approximately an average of 9 acres of ground, and he produces that himself.

Under the law of Mexico that cane producer, the little man who owns the land, gets 50 percent of the net income from the sale of sugar after the cost of the distribution of sales is taken out. He gets 50 percent. It has to go to him. Then you have got your sugar mill workers.

If you want to know about the cost of the sugar mill workers—the price you pay for labor—it varies on a basis depending upon the skills simply the same as it does here.

But, bear this one thing in mind. A labor contract in Mexico carries the weight of law when it is once signed and, therefore, if they have signed, this union has signed, a contract for 2 years, it will be up for renegotiation again this year, and the labor man in that case, and when I say the labor man I'm trying to distinguish between the little growers—the labor man in the mill is paid an average daily wage of \$1.64 a day to \$10 a day, varying with the skills to which he is assigned. I think the average is \$3.20 a day. That is what it averages out on the millworkers.

Senator McCARTHY. Am I to conclude that at least 50 percent of the subsidy we pay will go to the small grower?

Mr. CHAPMAN. Oh, yes.

Senator McCARTHY. Because he receives 50 percent of the sugar distribution dollar?

Mr. CHAPMAN. You see, you have 83,000 growers who own this average 9 acres that I talk about; 50 percent of all of this under the law has to go to them.

Senator McCARTHY. Do you know whether there is available any place a comparative report which would give comparisons of the size of the holdings in the various countries to which quotas are being allocated? Is this included in your report?

Mr. CHAPMAN. I do not have the statistics of the various countries on landholdings, Senator. Some countries have specific land laws that limit the number of acres, and I do not know, I do not have any statistics that could justify my answering that directly.

Mexico is the only one that I know which has as good a distribution of land as this from the little farmers point of view.

Other countries, some of the other countries, have some land distribution and small acreage.

Senator McCARTHY. Thank you.

Senator DOUGLAS. Would the Senator yield?

Senator McCARTHY. Yes.

Senator DOUGLAS. I have been collecting figures on this subject for the last year. I think it is true that the distribution of landholdings in Mexico is wider than in almost any other Latin American country.

A study in 1961 showed that 66 percent of the total production came from farms with less than 7 acres planted, and the average holding, as Mr. Chapman has said, of the cane growers is less than 10 acres.

But there is a question, I think, on the wages of the fieldhands on the larger acreage.

I collected figures on that, and I would like to check them with Mr. Chapman. The figures which I have show that the wages for fieldhands that would apply in the larger plantations ranged in 1959 from 96 cents a day to \$1.60, and assuming an 8-hour day, that would be from 12 to 20 cents an hour, and this was unchanged in 1960 and unchanged in 1961.

So far as the field hands were concerned—and I grant that they would be on a minority of the land—reallocation of the Cuban quota in favor of Mexico did not help them, however much it may have helped the small independent growers or however much it may have helped the collectives.

Would you wish to comment on that?

Mr. CHAPMAN. Yes, Senator. I would like to, first, give you a slightly different basis for your assumptions.

The first is that there are no large landholdings in Mexico. There are no land-producing places in Mexico that have any large holdings. Even the mills themselves are not allowed to have landholdings to produce sugarcane. It is only to the small—

Senator DOUGLAS. The maximum landholding is 300 hectares, is it not, or 740 acres?

Mr. CHAPMAN. I think that is correct. But there are very few of those.

Senator DOUGLAS. I put these in for what they are worth.

Mr. CHAPMAN. That is correct.

Senator DOUGLAS. Mr. Chairman, if I might ask another question—

Mr. CHAPMAN. May I answer one further question?

You raised the question about the labor of the hands. Now, the question that I answered a moment ago to Senator McCarthy was that they are paid a minimum of \$1.64 a day.

Senator DOUGLAS. That is in the mills.

Mr. CHAPMAN. Both the cancutters, too; that is, the cancutters, both of them. I did not say that when I said that to him. I missed that point, and that averages up to total of \$3.20 a day.

Senator DOUGLAS. Yes.

Mr. CHAPMAN. As I told you, the contract, they have to renew this contract every 2 years, and renegotiate these prices.

Senator DOUGLAS. There is one further question I would like to ask, dealing with the windfall profits of 1961.

Mr. CHAPMAN. Yes.

Senator DOUGLAS. We suspended the purchase of sugar from Cuba in 1960.

Mr. CHAPMAN. That is right.

Senator DOUGLAS. And immediately in the latter months of 1960 and the early months of 1961 began to make good the Cuban deficit by purchasing from other countries.

The figures which I have obtained from the Department of Agriculture and the State Department indicate that in 1961 while the quota for Mexico was only 95,000 tons, that the nonquota purchases amounted to 589,591.

Mr. CHAPMAN. That is correct.

Senator DOUGLAS. That is approximately correct?

Mr. CHAPMAN. That is correct, sir.

Senator DOUGLAS. Of course, this was sugar that had been produced in the past obviously, and had been stored.

Mr. CHAPMAN. They had over a half million surplus in storage, Senator.

Senator DOUGLAS. Now, then, they received a bonus above previous prices, according to my figures, of $2\frac{45}{100}$ cents per pound, or \$49 a ton, and this on almost 600,000 tons would come to just a little short of \$30 million.

Mr. CHAPMAN. Yes.

Senator DOUGLAS. This was a windfall which was given to those who held sugar in storage. I am not making any moral judgment on this, but I just want to point out that it was highly fortunate for the recipients.

Mr. CHAPMAN. Senator, I get an impression in your question that because it was stored as a reserve that the growers did not get it. But the growers got their 50 percent of this even though it had been in storage.

Senator DOUGLAS. Well, hadn't they been already paid?

Mr. CHAPMAN. No, that is paid—they get it anyhow. They get 50 percent of the net; when you deduct the sales costs, they get 50 percent. I am talking of these 83,000 growers.

Senator DOUGLAS. You mean when the sugar is paid for, or is it appraised at the market price at the time the sugar is stored?

Mr. CHAPMAN. No. The sugar, when it is stored like that and kept in reserve, each of those farmers gets his receipt the same as you would in a warehouse, and when it is sold he gets his share of that just like the others.

Senator DOUGLAS. So that the growers got \$15 million of this, and the others, what would this be, the mills, who would these be, the mills and the wholesalers, the exporters would get the other \$15 million?

Mr. CHAPMAN. The mills and the producers and the workers in the fields. It is all divided up on a work-cost basis.

Senator DOUGLAS. I mean the sugar has been produced, the processing has been carried out, it is stored.

Mr. CHAPMAN. Yes.

Senator DOUGLAS. And now you are saying it is applied retroactively to the producers, they get half of this, and then the other half must go to the mills?

Mr. CHAPMAN. And to all other costs.

Senator DOUGLAS. And wholesalers and exporters?

Mr. CHAPMAN. And all other costs involved in transportation and everything.

Senator DOUGLAS. That is not involved in this really because this is really the difference between the world market price and the domestic price; if this sugar had been sold on the world market, transportation costs would be comparatively more anyway.

Mr. CHAPMAN. Well, if you look on this page, I think it is the third page of this little booklet, you will see how it is broken down on a percentage wage basis.

Senator DOUGLAS. I want to say I think the agrarian reform in Mexico has gone further than in any other foreign country, and I have always thought the Mexican Government deserved a great deal of credit for this. But I simply want to point out the extraordinarily generous treatment which we have given to the Latin American countries.

My figures are correct, if I may turn to another country—and I think the representatives of Peru are here—Peru in 1960 not only had a quota of 121,000 tons but nonquota of 514,870 tons, and this after \$49 a ton amounted to a windfall of about \$25 million. I do not think that Peru has an agrarian distribution law comparable in any respect to Mexico, and when the representatives of Peru take the stand, I presume this afternoon, Mr. Chairman, this would be one of the questions that I should like to ask them, and I will throw this out so they may be prepared in advance to deal with it.

But the point I want to make is this, that when we redistributed the Cuban quota, we gave an enormous bonus to these Latin American countries.

Mr. CHAPMAN. Oh, yes.

Senator DOUGLAS. But this did not develop any gratitude on their part toward the United States. It merely increased their appetite and their rapacity for more, even though they were told that this was only temporary. Now they are coming in and claiming that this should be permanent. I am not criticizing you, Mr. Chapman, in the slightest.

Mr. CHAPMAN. Mexico has not.

Senator DOUGLAS. You have a better claim than any other, but in defense of the American consumer I want to point these things out.

Mr. CHAPMAN. I want to point out to you that Mexico is not asking that the Cuban quota be made permanent in any of my testimony.

Senator DOUGLAS. No. But, look, what is Mexico getting?

Mr. CHAPMAN. 150,000 tons on the so-called temporary.

Senator DOUGLAS. Under the House bill 200,000, is it not?

Mr. CHAPMAN. 200,000 of that would be basic quota and permanent.

Senator DOUGLAS. That is an increase in itself.

Mr. CHAPMAN. Oh, yes.

Senator DOUGLAS. And then there is an increase in the basic. Once you get that increase in the basic of 150,000 tons for 5 years—for 5 years, let me repeat—aren't we going to build up vested interests, and when we come to the renewal of this act 5 years from now, will not, either you or your successor as a representative of Mexico, say, "Now, you encouraged us for 7 years, you cannot take this away from us." Isn't that true?

Mr. CHAPMAN. Senator, what I have advocated for, and I advocate here again, is this law should be reviewed every so often for the purpose of redistributing these quotas.

Senator DOUGLAS. But once you build up—you see, we are in trouble now for 2 years when we have followed this temporary policy, and everyone is saying, "You have done it for 2 years; you cannot let us down."

Now, the proposal is to renew it for 5 years more, or for a total of 7 years, and we are having trouble enough now to get this changed.

Look at the number of people in this room. We are having trouble enough now to get it changed. Can you picture what we will have 5 years from now?

Mr. CHAPMAN. But you need—

Senator DOUGLAS. Mr. Chapman, last year when the Finance Committee by unanimous vote recommended that this bonus for foreign producers be removed—

Mr. CHAPMAN. Yes.

Senator DOUGLAS (continuing). By a unanimous vote, which is almost unheard of in this Finance Committee—everyone voted for it—we went out on the floor and we thought—

Senator MORTON. It hurt me to vote with you, but I did. [Laughter.]

Senator DOUGLAS. We went out on the floor and we were beaten. We were beaten in part by the fact that the State Department, under the influence of Mr. Mann, who is now the Ambassador to Mexico, opposed us; but we were also beaten by the pressure of the foreign sugar producers, and it is literally true—and we kept some account of the arrivals in National Airport—it is literally true that the business of Pan American Airways increased enormously when people flew up from Latin America. They descended upon Washington as locusts, as the 17-year locusts. [Laughter.]

Mr. CHAPMAN. Senator, let us increase that so they come more often.

Senator DOUGLAS. You were already here.

Mr. CHAPMAN. Let us have them come more often because we like them. Don't wait 17 years.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Senator FULBRIGHT. Mr. Chairman, is the Senator through?

Senator DOUGLAS. Yes.

Senator FULBRIGHT. Just one question.

You were speaking about the House, Congress, being under pressure. You will admit that as a former distinguished member of the Cabinet that the primary responsibility for foreign policy under the Constitution and by practices in the executive, in the President, is it not?

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. You would not be advocating that the House Committee on Agriculture take over that function, would you, sir?

Mr. CHAPMAN. Not at all.

Senator FULBRIGHT. Isn't it true, along the lines of the questions of the Senator from Illinois, that the policy of this country, foreign policy, is to bring Cuba back into the free world and to rid it of the Communist dictatorship; is that not so?

Mr. CHAPMAN. It ought to be, if it is not their policy.

Senator FULBRIGHT. Do you have any doubt about it?

Mr. CHAPMAN. Not at all. I think it is.

Senator FULBRIGHT. Now, in following this bill and giving Mexico, one of its strong neighbors, and other neighbors there, these vested interests in it, in the Cuban sugar, aren't you building an almost impenetrable wall against any such movement? Every one of these sugar producers will oppose and do everything they can to keep Castro in power, wouldn't they? You know they will, don't you?

Mr. CHAPMAN. Let me give you a full answer to that—let me give you a full answer to that. Castro has been able to use this sugar

quota thing against the United States from the day he came in. One of his first public announcements he said that Cuba is nothing but a sugar colony of the United States, and that we in the United States were dependent for over 55 percent, at least 50 percent, upon the production of sugar in Cuba, one little country alone, for our supply of sugar to this country.

I advocated in 1955 in my testimony that this is not sound for America. I think you should divide this sugar source of supply with the other Latin American friends who need our help as well as the country of Cuba.

Senator FULBRIGHT. That is not responsive to my question. The question is that every one of these countries that is dividing this up has a vested interest against the return of the Cuban quota.

Mr. CHAPMAN. I do not think so, Senator.

Senator FULBRIGHT. Come now.

Mr. CHAPMAN. Actually, they are going to benefit from it.

Senator FULBRIGHT. Of course. Do you think they would give up, what was it, \$30 million a year premium in order to get rid of Castro?

Mr. CHAPMAN. It is just like accusing the munitions makers for benefiting from war, and that he wants to encourage it. I do not think that is a good comparison here because I think these countries have their own interests to try to protect it just like the industry of the United States.

I think this bill is good for the United States, and all I am asking for is to give Mexico a reasonable break out of the quota of the part you have to buy from other countries.

Senator FULBRIGHT. Don't you think because of the President's responsibility in foreign policy that he has made this point—the administration has—that this consideration ought to be given by this committee and the Congress; the President—that is, the administration—and his representatives have made this point that this would create an obstacle to the eventual return of Cuba to the free world?

Mr. CHAPMAN. Well, Senator, I think the friends of this administration have a right to point out when we think they are making a mistake, and I think they are seriously making one here.

Senator FULBRIGHT. That is all.

The CHAIRMAN. Thank you very much.

Senator MORTON. Mr. Chairman, may I have just one question, and I do not mean to delay it. I want to get this question in while the professor on economics, who is the adviser to this committee, is here. [Laughter.]

Senator DOUGLAS. I lost that title when I went into politics. [Laughter.]

Senator MORTON. In any event, you still advise us. We do not often follow your advice, but you still advise us.

You make the point, Mr. Secretary, that we would have a more stable world market on sugar if we followed the philosophy of the House bill rather than purchase on the free world market.

Now, I point out, and I studied economics, although I never got a graduate degree and never taught, and that is why I ask this question of my colleague here, but isn't it true that on a free world market on any commodity that it is the surplus that breaks the price, if it is broken, and isn't it also true that if we had the ability, the freedom,

to buy this sugar on the free world market, when soft spots develop, when the Communists, through purchases from Cuba, were trying to break the world market, if we could step in then and buy a couple of hundred thousand tons, I think we would have a more stable world market than we would have under this limitation requiring us to go to certain countries for sugar?

Mr. CHAPMAN. I think, Senator, on a short-range problem for a number of years you are probably right. But taking it in a long range where these various industries and the growers of sugarcane and sugarbeets, whichever it may be, they need a planning program and a time to determine how far they can go in their industry and what their prospective market is; they need a good planning program, and I think in the long run you will find it does not work.

If you go back to 1920, during that period, Senator, the market was all to pieces, and the sugar industry of America was almost in chaos, and we saw them go down day after day because somebody would dump sugar on the American market and ruin the price of our domestic sugar people, and if you leave it open to free world purchases of sugar wherever you want to, I think you are going to ruin the domestic industry of America.

I am serious about that and I believe it. It has nothing to do with Mexico. I am thinking of my own country.

Senator MORTON. Of course, that would apply to any commodity. We have a world wheat agreement, and so forth, to try to stabilize things in a way—

Mr. CHAPMAN. Sure.

Senator MORTON. Here is what has happened. You have the British, those who are alined with the Commonwealth in here, asking for sugar quotas really for the first time. Why? This Cuban sugar is going to Poland, being refined, and underselling sugar in London. That is what has happened. The Cuban sugar has displaced this other sugar.

It seems to me if we have freedom, if the administration has the freedom, to step in when it wants to, buy sugar where it is cheap, I think it will be a stabilizing effect in this particular situation we find ourselves in.

Mr. CHAPMAN. I do not think history has proven that would be true. I think history would prove over a long period of time that would not be true.

You could stabilize it for one season and then the next you would be ruined and, in time, you will ruin the industry that is trying to build up its own stability in producing sugar. That is what you will do.

I think that is what I think the net result would be.

Senator DOUGLAS. Mr. Chairman, before we adjourn, I would like to introduce a few summary figures and, with the permission of the chairman, have this comment. We have been busy through the morning trying to find out what the total subsidy of American consumers to the foreign and domestic producers has been since 1948, and we found a price differential in each year as given by the Department of Agriculture between the world price and the domestic price, and reduced these as to tonnage figures multiplied by total production, excluding freight, and the total subsidies on this basis are approximately, for these 15 years, \$4.1 billion. The present differential is, as we have said, 2.8 cents a pound, \$56 a ton, or close to \$550 million a year.

Assuming that this continues for 5 years under the present bill, we will have a subsidy of \$2¾ billion, or a total of a little less than \$7 billion of the American consumers.

In view of this, I should like to make this comment: When we tourists go out to Yellowstone Park, the guards there tell us not to feed the bears. Now they tell us, they give this admonition, not because feeding the bears is dangerous, but because when we stop feeding the bears, it is very dangerous. [Laughter.]

The CHAIRMAN. Is the Senator finished? Has he concluded?

Senator DOUGLAS. Yes.

(Mr. Chapman's prepared statement follows:)

STATEMENT OF OSCAR L. CHAPMAN, COUNSEL FOR UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO), ON LEGISLATION TO AMEND AND EXTEND THE SUGAR ACT OF 1948, AS AMENDED

Mr. Chairman and members of the committee, my name is Oscar L. Chapman. I am appearing here on behalf of the Association of Sugar Producers of Mexico, which, together with the people of Mexico, has a very vital stake in the legislation now pending before this committee. For this reason, Mr. Chairman, this opportunity to appear and make our views known is most sincerely appreciated by the association and by the many thousands of our good friends in Mexico who depend upon the sugar industry for their livelihood.

Before getting into the body of my statement, I would like to make some preliminary points which may bring the remainder of my statement into sharper focus.

1. I do not represent the Government of Mexico in this proceeding, and, therefore, I am not authorized to state the position of that Government. My one and only client here is the Sugar Producers Association of Mexico.

2. Mexico does not appear here asking for aid. On the contrary, as I shall point out in greater detail later, Mexico, more than any other country, appears here as an honest seller to discuss common price and supply problems with the representatives of its largest foreign sugar customer.

3. The Sugar Producers Association of Mexico does not wish to express any opinion on the portion of the House bill designed to give additional relief to the U.S. domestic producers. Nor do we wish to express any opinion on the quota assigned to any particular foreign country, other than Mexico. Our purpose here is to make a positive case for Mexico, not a negative case for someone else.

Having disposed of these preliminary questions, I will, with the committee's permission, move on to a consideration of the question of how the United States can best procure the foreign portion of its sugar supplies.

Mr. Chairman, I think that everyone in this room will agree that the fundamental purpose of any Government program relating to sugar is to provide an adequate and regular supply at a price which is fair to both the consumer and the producer. The Congress has frequently stated this proposition, and this year we have heard the Departments of State and Agriculture restate it. If we can all agree on that basic purpose, then I think that most of the problems facing this committee can be resolved because each proposal can be tested against this basic purpose and those that do not contribute to its accomplishment can be discarded, while those which do can be accepted or modified to better produce the desired result. By adopting this approach, I think it can be quite clearly demonstrated that the global quota and premium recapture scheme, will produce an irregular and, in some cases, an inadequate supply at an unstable price which will be either too high for the consumer or too low for the producer.

Starting from the proposition that the sugar program should be designed to provide an adequate and regular supply at a fair price, I would like today to make three basic points: (1) History has made it entirely clear that in order to have an adequate supply of certain products, including sugar, at reasonable prices, some action must be taken to stabilize their markets: (2) the global quota and price recapture scheme, on the other hand, would not only produce market instability and, therefore, an inadequate supply at unreasonable prices,

but would have serious economic and political side effects as well; and (3) as I stated in my testimony before this committee in 1955, if the United States wishes to continue to have adequate supplies at reasonable prices, then the U.S. Sugar Act should be continued, but the quotas should be redistributed so that there is no one dominant supplier.

The first point I wish to make is that markets for some products, including sugar, must be stabilized if there is to be an adequate supply at a reasonable price. I thought that the underlying principle of stabilizing markets for basic commodities had been settled almost 30 years ago with the enactment of the Jones-Costigan Act for the purpose of stabilizing sugar prices and supplies. I thought that this principle had been reaffirmed on an international scale during those nearly 30 years by the execution of commodity stabilization agreements for sugar, tin, wheat, and olive oil. I thought that the economic accuracy of that judgment had been confirmed when in 1953 the U.N., through the FAO, issued a report which said, "Sugar exhibits to an unusual degree the features that make the operation of an unregulated 'free' market undesirable." I thought that the United States continued to adhere to this policy when in the Punta del Este Charter it agreed to help to find a "solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries * * *." I must say, I find it difficult to understand how the validity of such a proposition can be questioned after the Congress has asserted it, the United Nations has reasserted it, history has confirmed it, and the United States has entered into numerous international agreements on the basis of it.

But it appears that some people have forgotten the painful experiences which brought the Jones-Costigan Act into being. Of late many emotional terms and slogans have been used to describe various aspects of the sugar problem and much misinformation has been circulated. Finally, a bill has been proposed which would, in effect, eliminate country quotas and would tax away from foreign producers the difference between the U.S. and world market prices. Absent this proposal it would certainly be presumptuous of me to explain to this committee why it is necessary to stabilize the sugar market. Since the proposal has been made, however, let me, through an abundance of caution, state for the record why any sugar program which subjects both the buyer and the seller to the vicissitudes of an unregulated market must inevitably result in excessive price and supply fluctuations which are harmful to both parties.

First, let us look at the sugar market from the standpoint of the Latin American producer. Once a sugar grower has planted his crop he is committed to a certain level of production. He can later adjust his output only within narrow limits as the market price goes up or down. Since sugar exported to the United States must, for the most part, come in in raw form, he cannot even store it for long periods until the price gets higher. Instead, he must guess when he plants the cane how much sugar he can market at a reasonable price, plant that amount and hope that his guess was right. Without the benefits of country quotas whether or not his guess is right depends primarily upon what other producers and consumers do. If other producers have greatly increased their production he may be wiped out by low prices; if they have decreased their production, the price may rise. Thus, he is faced with either feast or famine.

Let us look at an unregulated market from the standpoint of the consumer. He knows that world sugar consumption has doubled since 1948 and that it is still increasing at the rate of 5.5 percent per year. He knows also that production has more than kept pace with consumption in some years but has lagged behind in others. He also knows that in the United States, the United Kingdom, and other developed countries per capita consumption of sugar has reached a leveling-off point, but in the underdeveloped countries per capita consumption of sugar is still very low and responds quickly to increases in income. Thus he knows that the price he must pay for his sugar not only depends on the amount produced, but also depends, in part, on the amount by which incomes of underdeveloped countries are increased. Accordingly, in an unregulated market the supply of sugar available to the consumer and the price he must pay for it are largely things which are beyond his control.

It was under just such an unstable system that the world price of sugar dropped from more than 9 cen. a pound in 1920 to a little more than 3 cents a pound in 1921; from more than 4 cents a pound in 1923 to less than 1 cent a

pound in 1932. Was it not reasonable, then, for the United States in 1934 to set up a sugar procurement program which stabilized the flow of sugar to the United States? Was it not prudent under these circumstances for the U.S. Government to insure a constant flow of sugar to the United States by establishing a relatively constant price, higher than that prevailing in times of plenty, but much lower than that prevailing during periods of scarcity? History has shown that these judgments were right. In the period since the Jones-Costigan Act was passed the price of sugar in the United States has been stable and, when the world price has risen above the U.S. price, foreign producers have continued to ship to the United States because they wanted continued access to a stable market.

The second point I wish to make is that the global quota and premium recapture provisions would not only tend to produce greater market instability and, therefore, would not provide an adequate supply at a reasonable price, but, also, are economically and politically harmful both to the exporting nations and to the United States.

The reasons put forward for proposing the global quota and premium recapture scheme are that—

1. It would assure a constant supply;
2. It would result in a foreign exchange saving to the United States;
3. It would avoid the political problem of allocating quotas among numerous friendly countries;
4. Aid can be given more effectively by direct means than through so-called sugar premiums;
5. It will be easier for Cuba to return to the U.S. market if no vested interests are created by assignment of quotas.

Let us consider one at a time the alleged advantages of the so-called global quota and price recapture provisions. First, it is contended that these provisions would assure a more constant supply than the present system. This contention assumes two things: (1) That the present system does not assure adequate supplies, an assumption which almost 30 years of admittedly successful operation refutes, and (2) that we can assure ourselves of a more stable supply of sugar by offering to buy at fire-sale prices rather than at regular prices, an economic theory to which no one can reasonably subscribe. Under the circumstances it is understandable that the executive department witnesses merely asserted that their plan could result in a more stable supply without trying to explain why. The reason, of course, is that the assertion is patently preposterous and cannot be supported.

Second, it has been said that the global quota and price recapture scheme will be less costly to the United States. It is clear, of course, that in some years there would be a saving of foreign exchange and in other years there would be a loss depending upon whether the world market price is higher or lower than the present U.S. price. In his budget message the President estimated that there would be an annual saving in the neighborhood of \$180 million. But the President's estimate is based on 1961 figures, a year in which the U.S. price exceeded the world price by a larger margin than any other year since World War II. In fact, however, the differential is normally much smaller and in some years has been reversed. For example, far from saving foreign exchange, the global quota and premium recapture scheme, would have cost the United States more than \$1 million in 1950. In 1951 the loss would have been even greater, amounting to about \$40 million. If the world price were to return to the 1920 level, the loss resulting to the United States because it did not provide a stabilized market would be about \$254 million. These figures, of course, refer only to the increased cost of foreign sugar. In fact, if the U.S. producers had also raised their prices to equal the world market price, as they surely would under the global quota scheme, the losses would have been more than twice the amounts I have stated, or about \$2.5 million in 1950, \$115 million in 1951, and \$724 million if the price returned to the 1920 level. Thus, it can be seen that under the present regulated market the United States actually gets its sugar cheaper than other countries in some years, as well as being assured of an adequate supply.

Third, it is said that the global quota and premium recapture provisions would avoid political problems, because the United States would no longer have to

allocate quotas among a number of friendly countries. Certainly, if there were no quotas then there would be no problem in allocating them. But this "problem" has never proved insurmountable before, and in any event I submit that it is not a problem at all, but an opportunity; an opportunity to stabilize the incomes of our Latin American friends; an opportunity to increase trade with Latin America; an opportunity to assure millions of people in Latin America of stable employment; and an opportunity to provide ourselves with a constant supply of sugar at reasonable prices. I wish that we had more such "problems."

Fourth, to say that aid can be more effectively given directly than through the Sugar Act implies that aid is presently being given to foreign producers of sugar. As I have already pointed out, this is not the case. The United States and other countries which pay a higher-than-world-market price for the sugar they import are not making a gift to the exporting countries. They simply pay for what they get; that is, an assured adequate supply of sugar at an economic price.

In this connection, it is frequently said that sugar dollars are paid to a few wealthy individuals while aid dollars are given to a large number of poor people. Those who repeat this statement obviously have never looked into the facts. In Mexico, for example, the gross revenues from the sale of sugar are divided as follows: 14 percent for costs of sales, 24 percent to the sugar mill, 19 percent to the millworkers, and 43 percent to the cane growers. Of the net proceeds after cost of sale, 50 percent must, by statute, be distributed to cane growers. And who are the cane growers who by law must receive at least 50 percent of the net income from sales of sugar? Are they corporations or large wealthy landowners? Certainly not. Mexico's land reform laws provide that sugarcane land must be owned by the people who work it. Last year in Mexico there were 83,000 owners of cane land, with an average holding of 9 acres. Does this sound like the sugar dollar paid to Mexico goes into the wrong hands? It is hard to conceive of an aid project which would reach down to distribute benefits on so broad a basis to the workman and the farmer.

Fifth and last, it is said that it will be easier for Cuba to return to the family of free nations if quotas are abolished. This is, indeed, a unique form of reasoning. What possible difference could it make to Cuba whether it returned to the U.S. market or not if it was to receive only the world market price for its sugar in any event? Cuba can get the world market price from any one of a host of countries. In fact, far from abolishing quotas, good U.S. sugar legislation will provide an incentive for Cuba to return to the U.S. market by creating a reasonable price for sugar.

Accordingly, of the five arguments advanced in favor of the global quota and price recapture provisions, none can withstand analysis. Moreover, the Congress must consider all of the economic problems which the proposed plan would create, including the following:

1. It would create large fluctuations in prices;
2. It would endanger the constant supply of sugar to the United States;
3. It would do serious damage to the economies of supplying nations because of market instability.

The economic effects of the bill under consideration are bad enough to insure that it should not be enacted by the Congress, but consideration should also be given to its political effects. In August of 1961, the countries of this hemisphere met at Punta del Este, Uruguay, and drafted a charter to govern the future actions of the signatory nations. One of the purposes of the charter was "to find a quick and lasting solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries on which their prosperity so heavily depends."

Title IV of the charter deals with basic export commodities, and in this connection it states:

"National measures affecting commerce in primary products should be directed and applied in order to:

- * * * * *
- "(2) Avoid market instability:
- * * * * *

"Therefore:

"A. * * * Importing countries should * * * be ready to support, by adequate regulations, stabilization programs for primary products that may be agreed upon with producing countries."

Later on in this same title of the charter, international measures are discussed and statements such as the following are found:

"* * * it should be considered that producing and consuming nations bear a joint responsibility for taking national and international steps to reduce market instability."

In addition, our foreign aid officials have repeatedly recognized that the fluctuation of a few cents per pound in the prices of basic commodities can well have the effect of wiping out any gains that might have been made as a result of U.S. assistance.

Against this background, the sugar-producing countries of this hemisphere will find it difficult to understand, as I do, why the United States has suddenly proposed sugar legislation which will create further instability in the international market. It is even more difficult for me to understand why, when the United States in 1960 forced Cuba to sell its sugar on the world market because Cuba was an enemy, in 1962 it would propose to force the other Latin American countries to sell their sugar on the world market because they are friends. It seems to me to be a strange world where commitments are made to stabilize commodity prices and then legislation is proposed which would create greater instability; where economic sanctions which have devastated the economy of an enemy are then proposed to be imposed upon friends.

The third point I would like to call to your attention, Mr. Chairman, is that the best way to assure the United States of an adequate supply of sugar at fair prices is to continue the country quota and premium price mechanism, but redistribute quotas so that there is no one dominant supplier. It is clear at this point that any system which forces producers and consumers to rely on the world market will create many problems and solve none. On the other hand, it is equally clear that the basic structure of the existing Sugar Act has worked well for many years. Accordingly, it should be clear that country quotas and the premium price must be continued as has been done in the House bill.

The interruption of sugar trade with Cuba does, however, present us with an opportunity to amend a portion of the act which for years has cried out for revision. Some members of this committee may recall that in the 1955 hearings I said:

"The essential evil of the proposal of the executive establishment is that it perpetuates a system which ignores present-day equities and relies solely on ancient history. Under this bill, foreign quotas are not allotted on the basis of the needs and merits of 1955, but essentially on the basis of the quantitative distribution of the market as it existed in 1934. Thus, no matter what has happened in the ensuing years in terms of economic and political relations, the lion's share of the market is reserved for the few suppliers who happened to be there first. No matter how efficient a new producer is, he is substantially excluded from the U.S. market."

The same argument holds true today; the thrust of the 1962 sugar legislation should be not to eliminate country quotas, but to redistribute them; to create not one sugar bowl, but a number of sugar bowls so that never again is the United States required to rely on one supplier for its sugar. Therefore, Latin American countries other than Cuba should be given larger basic quotas with a substantial amount, in the neighborhood of 1 million tons, reserved for Cuba.

The redistribution of quotas among the Latin American Republics should, of course, be made on some rational basis. But no matter what factors are considered, it is clear that Mexico should be among the major suppliers. In order to illustrate this point, we have prepared two charts which are attached and which we think demonstrate the validity of this contention.

BALANCE OF TRADE

Not only does equity demand a redistribution of quotas, but as the first chart shows, so does economics. This chart shows the total sales to the United States, the total purchases from the United States, and the favorable or unfavorable balance for the same Western Hemisphere countries for the last 5 years. Note that most countries have a slightly favorable or slightly unfavorable balance of trade with the United States, with the exception of Mexico which over the past 5 years has had a total deficit of almost \$2 billion.

Not only does Mexico buy more from the United States than any other Latin American country, but in 1961 it bought almost twice as much as all of the other Western Hemisphere quota countries combined. It is obvious that if purchases from the United States are an important consideration, then some changes should be made in the distribution of quotas. How long can Mexico be expected to let this situation continue? How much worse will it get if the \$70 million which Mexico got for its sugar in 1961 is reduced to less than half that amount in 1963?

There are those who think that the deficit in Mexico's balance of trade with the United States is made up by Mexican receipts from tourism and braceros so that in fact Mexico has a favorable balance of payments. Nothing could be further from the truth. In fact Mexico's balance of payments with the United States has been very unfavorable and had it not been for Mexican sugar sales in the United States last year, Mexico would no doubt have had to find some way to curtail foreign purchases, most of which are made in the United States. Thus, not only is Mexico's balance of trade unfavorable, but so is its balance of payments.

PURCHASES OF AGRICULTURAL COMMODITIES FROM THE UNITED STATES

A great deal of interest has also been shown in purchases of agricultural commodities from the United States. In order to put this information in its proper perspective, we have, on chart 2, shown three items of information. First, the overall length of the line following the name of each country indicates the total agricultural imports of that country from the United States. Second, the first part of each line is black to indicate the amount of total agricultural imports which are made up of cash purchases. Third, the second part of each such line is left white to indicate the portion of total agricultural imports from the United States which are brought in under the U.S. foreign-aid program.

Members of both Houses of Congress have indicated that the United States should assign sugar quotas to those countries which purchase the most U.S. agricultural commodities. If this factor is to be considered, then it is important to distinguish between imports from the United States which represent actual commercial purchases and imports which represent gifts made by the United States in the form of foreign assistance. For example, it would not seem to make sense to allocate a large quota to a country merely because it had accepted large gifts of U.S. agricultural products. Thus, the only relevant figure is the one representing actual commercial purchases of U.S. agricultural products.

When actual cash purchases of U.S. agricultural purchases are considered, it is clear that, here too, Mexico leads the list by a wide margin, purchasing more than half again as much as the next largest purchaser. Other countries, of course, may have larger total imports as shown by the white line, but in such cases a significant amount is imported as a result of U.S. foreign assistance.

GOLD FLOW

It has already been pointed out that the global quota and price recapture provisions would not result in the saving of gold predicted by its proponents. Accordingly, those provisions should be rejected. The committee may, however, wish to consider the gold flow problem in assigning quotas to foreign countries. The gold loss problem, of course, arises because the United States buys and gives away abroad more goods than it sells abroad. Accordingly, it is clear that if the sugar legislation is written such that the United States obtains a larger portion of its foreign sugar requirements from those countries which buy most of their foreign purchases from the United States, then the Sugar Act can contribute in an important way to stemming the flow of gold from the United States.

In this connection, it should be noted that not only does Mexico buy more total goods from the United States than any other Latin American country, not only does it purchase more agricultural products for cash than any other Latin American country, but also a larger percentage of its total foreign purchases are made in the United States. For example, in 1959, the latest year for which international statistics are available, 60 percent of the Dominican Re-

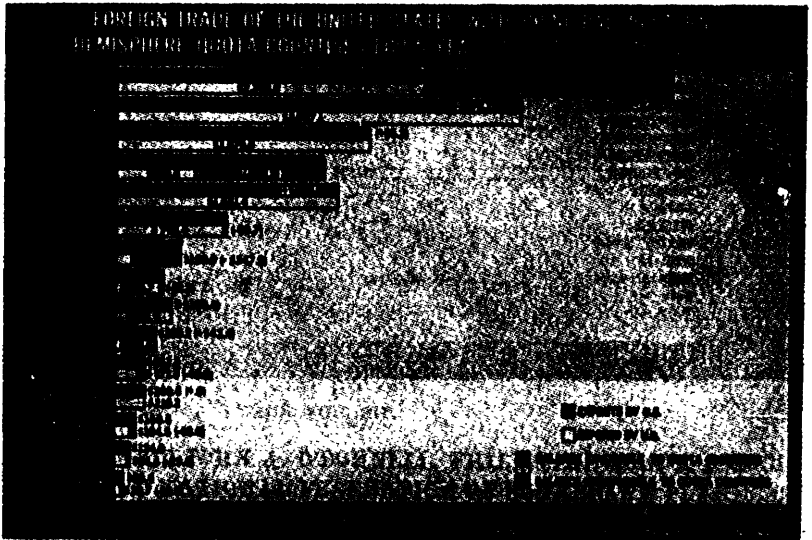
public's total foreign purchases were made in the United States, 45 percent of Peru's and 34 percent of Brazil's. Mexico on the other hand purchased 73 percent of its total foreign purchases from the United States, the largest percentage of any Latin American country.

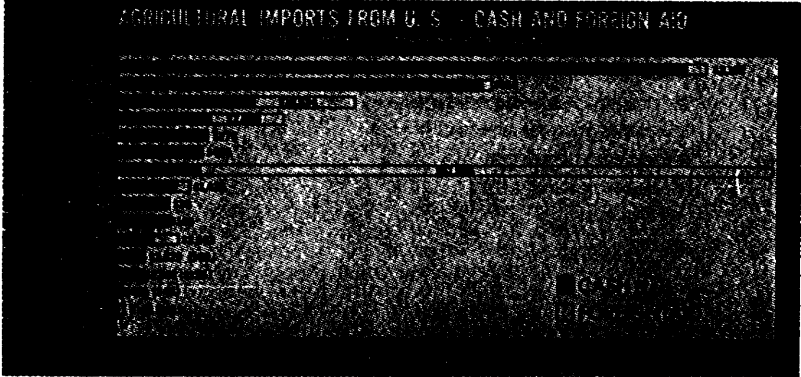
What does this mean to the United States? It means simply this, that if, as is stated by the Department of Agriculture, one of the secondary purposes of the Sugar Act is to stimulate the export trade of the United States, then it is clear that the larger the quota assigned to Mexico, the more this goal will be accomplished because these figures show that sugar dollars paid to Mexico stimulate U.S. export trade much more than sugar dollars paid to any other country. To the extent that this is accomplished, the gold flow from the United States is stemmed because the United States can pay in exports rather than gold.

Traditional trade ties are, of course, important, but this committee may also wish to consider other factors such as distribution of sugar earnings within the producing country, capacity to supply, proximity and past performance.

If the United States is to have a principal sugar bowl, then equity, economics, and social justice would dictate that Mexico should occupy that position. But Mexico has repeatedly said that it does not want to create a monster sugar industry which is completely dependent upon the U.S. market. Rather I believe that no one country should ever again become the dominant supplier of sugar to the United States. Such a policy simply breeds economic and political problems, not only for the United States but for the producing nations as well. For this reason Mexico has never tried to become the only, or even the dominant, Latin American country exporting sugar to the United States. Instead Mexico asks that there be a general redistribution of quotas among all the Western Hemisphere countries capable of supplying sugar to the United States.

In conclusion, I would again like to thank this committee for the opportunity to appear here and express the views of the Mexican sugar industry on this vital legislation. I know that this committee appreciates and understands the great interest in this legislation shown by the hundreds of thousands of people in Mexico who depend upon the sugar industry for their livelihood.





The CHAIRMAN. The committee will recess until 2:30.

Mr. CHAPMAN. Thank you, Mr. Chairman.

(Whereupon, at 1:05 p.m., the committee was in recess, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The first witness is Mr. John A. O'Donnell, Philippine Sugar Association.

Mr. O'Donnell, come forward, sir, and sit down.

Senator DOUGLAS. Mr. Chairman, before Mr. O'Donnell testifies, may I correct an unintentional error in mental arithmetic which I made at the conclusion of this morning's session.

I pointed out that the windfall by Mexico was approximately 600,000 tons, the average windfall of about \$49 a ton, and I made this \$300 million total, involving \$300 million, whereas obviously it was only \$30 million, and the same scaling down should be applied to Peru. We will correct it for the record. But since I made the statement verbally I should correct it verbally now, and I ask unanimous consent that the statement from the W. R. Grace Co. be inserted in the record.

The CHAIRMAN. Without objection.

(The document referred to will be found at p. — of the hearings.)

The CHAIRMAN. Mr. O'Donnell?

Mr. O'DONNELL. Yes?

The CHAIRMAN. You may proceed.

Mr. O'DONNELL. Thank you, sir.

STATEMENT OF JOHN A. O'DONNELL, PHILIPPINE SUGAR ASSOCIATION AND NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. O'DONNELL. Mr. Chairman and members of the committee, I am John A. O'Donnell of Washington, representing the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.

Mr. Chairman, with your permission, I would like to file my principal statement and make a short statement thereafter.

The CHAIRMAN. The insertion will be made following your oral presentation.

Mr. O'DONNELL. Some further thoughts have occurred to us since the preparation of the statement submitted, and with your permission, Mr. Chairman and members of the committee, I shall state them.

Under the system of global quotas and the recapture of price premiums, it will not be possible for the Philippines to fill any part of that quota. This has already been demonstrated under the Jones-Costigan Act of 1934 when the Philippines was allotted a quota of 15.21 percent of the U.S. consumption, which was a considerably large quantity than the 980,000 short tons raw value stipulated in the Philippines Independence Act.

It is also demonstrated by the fact that the Philippines has not been filling its assigned quota of 25,000 tons in the world free market.

In the Philippine Trade Revision Act of 1955 it was specifically stipulated that the quota of 980,000 tons provided therein is without prejudice to any increase that may be authorized by the U.S. Congress.

In the event, therefore, that the principles of the global quota for that part of the trade taken from the Cuban quota is adopted, as well as the recapture of the price premiums, then in accordance with the Philippine Trade Revision Act, the basic quota of the Philippines should be increased from 200,000 to 300,000 tons.

It may be mentioned that last year the Philippines filled nearly 400,000 tons additional in its basic quota.

This would not only be an act of justice for the Philippines, it would further insure availability of supplies in the U.S. market.

As already stated, the Philippines have not participated in any share of the increased consumption, and because of the destruction suffered in the war it could not fill its quota until 1956, and during that time it failed to market some 7,952,499 tons to the value of approximately \$1 billion.

The Philippines have not received any increase in quota since the approval of the Sugar Act until the Cuban quota was reallocated. On the contrary, its share of the U.S. sugar market has fallen by nearly 30 percent, from 15.41 percent to approximately 10 percent.

The Philippines are the only foreign supplier of sugar whose exclusive export market is the United States, and currently it is the largest foreign supplier of sugar.

Thank you very much.

The CHAIRMAN. Are there any questions?

Thank you very much, Mr. O'Donnell.

Senator MORTON. I have a question.

How far is it from Manila to the nearest west coast port, San Francisco?

Mr. O'DONNELL. About 10,000 miles.

Senator MORTON. Quite a trip, is it not?

Mr. O'DONNELL. About 45 days; 40, 45 days.

Senator MORTON. Your concern—you favor the House bill as against the administration proposal?

Mr. O'DONNELL. Yes, we do. We could not participate in any global quotas. I just made that statement.

Senator MORTON. Yes.

Well, if we bought sugar on the world market the sugar we need to take care of the lack of sugar, that will take care of the loss of sugar, from Cuba, why couldn't you participate?

Mr. O'DONNELL. Well, because, for the reason you have mentioned, the distance, and the Philippine production is a high-cost production. It has been geared for the last half century to the U.S. market, and a special study report of the Department of Agriculture of last January, came up with the fact that we were a high-cost producer.

Senator MORTON. What specifically does this do for the Philippine sugar quota in the House bill and not in the Senate bill or administration bill?

Mr. O'DONNELL. Well, in the House bill it gives us 70,000 tons. It takes us from 980,000 to 1,050,000, our basic quota, and under this temporary quota we get 10 percent.

Senator MORTON. If Mr. Castro should leave the island, and if we should reopen diplomatic relations with Cuba, and if we should feel

a responsibility toward the economy of Cuba, would the people of the Philippines resent it very much if we took this 150,000 temporary quota away from the Philippines?

Mr. O'DONNELL. I don't think so. I think they would be sorry to lose it, but I do not think they would resent it very much, because by the same token we have a relationship with Cuba, we even have a stronger one with the Philippines, and the Philippines sent an economic mission here in 1955, Senator Morton.

Senator MORTON. I remember it very well.

Mr. O'DONNELL. The Lorrel-Langley, so-called mission, headed by former President Lorrel of the Philippines, and Mr. Langley, a famous publisher from New Hampshire, and they negotiated for months, and finally came up with a revised trade agreement, and all the Philippines got out of it was section 3 which contained the following language, and I quote:

The establishment herein of the limitations on the amount of Philippine raw and refined sugar that may be entered or withdrawn from warehouse to the United States for consumption shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

Now, the Philippines have taken the position that this gives ample authority for the Congress to increase Philippine allocations, and an implied promise that this will happen.

If you recall, the Sugar Act was up in 1956, when everybody was pulling for quotas, every foreign country was given an increase except the Republic of the Philippines, and you will remember further at the time President Eisenhower signed the bill he said that "although it was not feasible," and I am quoting him now, he said, "it was not feasible to give the Philippines an increase at this time, but when the act was next considered," and that is now, "they should be considered for an increase."

Senator MORTON. I think we have a very particular, a very unusual, relationship with the Philippines, and I think that is one of the reasons why it has been treated a little bit differently from other countries. It is a treaty obligation, to begin with, we have to maintain.

I, however, was interested this morning when the distinguished chairman of the Foreign Relations Committee, Senator Fulbright, who is here with us today, brought up the point, that is, the question of whether the Congress is better qualified to deal with foreign affairs than the constitutionally authorized person, the President of the United States, and the point was made this morning that the Congress was less subject to pressures than the administration.

Now, I happen to have been an Assistant Secretary of State when this 1956 bill went through, and you speak of Mr. Langley there. I recruited him to get him, and got him through and got him confirmed, to get him to work out this treaty with you, against the objections of all the old pros down in the State Department, I might say, because I thought he was a hardnosed Yankee businessman who could do a good job with some hardnosed people from over there, whom I admire very much.

I do not see how in the world we are going to be less subject to pressure for having those of us who are elected to office pass on these questions than those who are appointed to office.

I could say "No" a lot easier when I was an Assistant Secretary of State than I have ever said as a Member of the House or the Senate.

Mr. O'DONNELL. I believe that.

Senator MORTON. It is hard to say "No" when you are elected. I think we are just getting ourselves into a hopeless bind when we come up here and constitute ourselves as Secretaries of State, the Secretaries of Agriculture, the Secretaries of anything else, and spell this business out.

I think, I must say I think, even from the Philippines, where I know the cost is higher than it is in most of these countries to produce sugar because you have, just as Mexico, you have a better way to set up, I think you will get your share of this thing from global quotas. I think an administration, being given the freedom to buy there, could see that you did.

You leave it to the Congress—what happened to you in the House of Representatives the other day when they knocked down an appropriation bill which had been already agreed to, as an authorization to pay for these war damage claims?

Mr. O'DONNELL. That is right.

Senator MORTON. The week before we asked the Philippine Government to help us out by sending some troops to Thailand. I do not blame the President of the Philippines for saying, "I will send you 60 men." I do not blame him a bit.

I think the House of Representatives was completely irresponsible in this, and I am not discussing the merits of the issue. They were already decided. We had authorized this appropriation, and then they come along, and because of something, I do not know what it was, lack of dynamic leadership, I suppose, or lack of knowledge or intelligence, they come along and kick the Philippines. The House of Representatives did, the same ones who passed this bill that you are for now, and you want to get yourself in the position of being kicked around by the Congress and not letting the man who has the constitutional authority for foreign policy in this country handle this thing, why, then, I think you are digging your own grave.

Mr. O'DONNELL. I was a member of the Philippine War Damage Commission.

Senator MORTON. Yes; I know you were. You served with great distinction on it.

Mr. O'DONNELL. Thank you.

Senator MORTON. I think that is something you ought to think about, because the House may give you what you want in sugar, but they sure did not give you what you wanted on the war damage claims.

Mr. O'DONNELL. You see, from a realistic standpoint, Mr. Morton, the Philippines has an excess of 300,000 tons of sugar they would like to supply to the U.S. market.

Senator MORTON. Yes. Many other countries have.

Mr. O'DONNELL. And because of the distance that you have pointed out, there are the facts that the Philippines also have been geared to the U.S. market, and all those things taken into consideration, the Philippines has nowhere to go with this sugar. The Philippines responded very well to the emergency situation when on July 4, 1960, we cut off the 3,200,000 quota from Cuba; like any other country, she just seized an opportunity now to exercise her rights under this treaty, the Trade Revision Act of 1955 with which you are so familiar, and which she was bypassed in 1956, and we were very hopeful in 1956, you remember that situation very well, I am sure.

Now, the Philippines sees here another chance to bring up that proviso and exercise her rights under it, and that is her viewpoint.

Senator MORTON. We do not have a more loyal ally in the whole Orient than the Philippines. I recognize that. In fact, many of my people from my State fought side by side with the Filipinos; the battalion from Harrisburg, Ky., was in the death march. This touched every family in a county of my State.

We feel a very close affinity and a desire to be helpful. But I just do not think you are going to improve your future or your interest in this by letting the Congress every 3, 4, or 5 years decide on where we are going to give it.

Another Congress, especially if our mutual friend and colleague with whom I know Senator Fulbright served in the House, Carlos Romulo, and he is not here, if he were in Washington, they would not have beaten that bill on the floor of the House, I would tell you that. He was smart enough to get the job done, and I think you are not serving the best interests of the economy of the Philippines or the best interests of the people of the Philippines by just throwing this thing into the House of Representatives and the Senate of the United States with the question of who has got the most influence, which country has got the most influence.

Mr. O'DONNELL. Some Members of both bodies feel the setting up of these quotas is their prerogative.

Senator MORTON. I realize they do, and I hope they change their opinion.

Well, thank you, sir.

The CHAIRMAN. Any further questions?

Senator FULBRIGHT. Mr. O'Donnell, how long have you represented the Philippines?

Mr. O'DONNELL. Since, if my memory serves me right, 1954 or 1955.

Senator FULBRIGHT. Are you registered as a foreign agent under the Foreign Agent Registration Act?

Mr. O'DONNELL. Yes; under the Foreign Agent Act of 1938, as amended.

Senator FULBRIGHT. Do you file reports?

Mr. O'DONNELL. Yes, sir.

Senator FULBRIGHT. How often?

Mr. O'DONNELL. Every 6 months.

Senator FULBRIGHT. What does your agreement with them provide?

Mr. O'DONNELL. Sir?

Senator FULBRIGHT. What does your agreement with the Philippine Sugar Association provide?

Mr. O'DONNELL. It provides \$2,500 a month, which includes everything. I have a Filipino assistant, and office expenses, and so on and so forth.

Senator FULBRIGHT. Do you work on anything other than the sugar bill?

Mr. O'DONNELL. Yes, sir; general practice of law.

Senator FULBRIGHT. What else do you work on?

Mr. O'DONNELL. I am—you mean legislatively?

Senator FULBRIGHT. Yes. What other lobbying activities do you perform?

Mr. O'DONNELL. I have handled claims. I am in the transportation field.

Senator FULBRIGHT. Do you look after the tobacco interests?

Mr. O'DONNELL. No, sir.

Senator FULBRIGHT. Do you have anything to do with the agreement on tobacco?

Mr. O'DONNELL. No, sir.

Senator FULBRIGHT. The Philippine Government, did it not have an embargo on the importation of American tobacco?

Mr. O'DONNELL. Not an embargo, sir. They have a law that prohibited the entrance of Virginia burley leaf tobacco which President Garcia, under another statute, found there was a shortage of such tobacco and he admitted a certain quantity of it into the Philippines just before he went out of office. This was challenged by the new administration in the courts, and the Supreme Court of the Philippines held that it was within the executive authority, and this burley leaf tobacco was admitted. It that what you have reference to?

Senator FULBRIGHT. Yes; that is right. It was an embargo by law?

Mr. O'DONNELL. Yes.

Senator FULBRIGHT. You said it was a law excluding American tobacco?

Mr. O'DONNELL. That is right.

Senator MORTON. Will the Senator yield?

They finally got the tobacco in, so let us leave a dead horse sleep.

Senator FULBRIGHT. I am not interested in tobacco going in or out.

Senator MORTON. I am.

Senator FULBRIGHT. That is a legitimate interest.

What I was interested in were the duties of lobbyists representing foreign governments and whether or not they file complete statements of their activities or not.

I am merely questioning, do you really file these?

Mr. O'DONNELL. Oh, yes, sir. There are very severe penalties for failure to file.

Senator FULBRIGHT. In your last statement, as quoted to me, you showed receipts of \$16,390, and expenditures of \$17,680. You must be operating at a loss.

Mr. O'DONNELL. Well, I had a carryover from the following year.

Senator FULBRIGHT. Those statements are very sketchy; are they not?

Mr. O'DONNELL. Well, that is taken right from my books. I do not know the reason for that right off hand.

Senator FULBRIGHT. In your last statement you did not itemize any expenditures; did you?

Mr. O'DONNELL. I do not recall.

Senator FULBRIGHT. Why don't you recall? You are required to do this under the law. All people representing foreign governments lobbying before the Congress are supposed to file itemized accounts; are they not?

Mr. O'DONNELL. That is right.

Senator FULBRIGHT. But most of them do not; is that correct, sir?

Mr. O'DONNELL. I do not know of anybody that does not.

Senator FULBRIGHT. Well, you do not. You did not file an itemized account the last time.

Mr. O'DONNELL. Frankly, Senator, not to be trying to get around anything, because I am not, my administrative assistant takes this right out of our books.

Senator FULBRIGHT. He files it for you?

Mr. O'DONNELL. Well, he makes it up. That does not absolve me of any liability under the law, but the point I make is whatever is on that, on my lobbying report, is what I got and what I did.

Senator FULBRIGHT. Is it true that with regard to tobacco when you requested an increase in your quota you were then requested to allow tobacco to come in, that this resulted from the agreement of President Garcia to allow the tobacco in in return for an increase in the quota?

Mr. O'DONNELL. I do not know.

Senator FULBRIGHT. You do not know about that? You would not know about that?

Mr. O'DONNELL. Only what I read in the newspapers. I was not over there. I have no personal knowledge, sir.

Senator FULBRIGHT. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. O'Donnell.

(Mr. O'Donnell's prepared statement follows:)

STATEMENT OF JOHN A. O'DONNELL, ESQ., FOR THE PHILIPPINE SUGAR ASSOCIATION AND THE NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. Chairman and members of the committee, I am John A. O'Donnell, of Washington, representing the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.

I have testified in behalf of Philippine sugar millers and planters before the Congress on prior occasions and specifically I read a detailed statement during the hearings on sugar legislation in the House of Representatives last month. I shall try not to be repetitious and to conserve the valuable time of the committee as far as possible consistent with the interests of the people in whose behalf I appear.

I do not believe that any of the members of this committee or the Senate, for that matter, need to be reminded of the close relationship of our country with the Republic of the Philippines. Moreover, I am sure that there is a general awareness among our people and their representatives in government of the important place which the sugar industry occupies in the Philippine economy and the dependence of that industry upon a market in the United States. Reiteration of a few salient propositions, however, may be helpful at this point.

First: The sugar trade between the United States and the Philippines goes back for almost a century. In 1933 our sugar imports from the Philippines represented the impressive figure of 1,250,000 tons. Later, in 1937, the Philippines acquiesced in a substantial reduction of these imports in order to accommodate its annual output to the sugar quota system adopted by the United States.

During World War II the Philippines were cut off and supplied no sugar to the United States. Although in the immediate postwar period the Philippines made remarkable and praiseworthy strides in the recovery of the sugar industry, nevertheless from 1941 to 1953 shipments of sugar to the United States totaled a mere 4,433,501 tons out of a gross aggregate quota of 12,376,000 tons, leaving a permanent deficit of 7,952,499 tons which resulted from circumstances entirely beyond the control of the people of the Philippines. This deficit valued at approximately a billion dollars was filled by foreign suppliers, principally Cuba. Subsequently history has presented no opportunity to the Philippines to make up for this vast loss.

Under the Philippine-United States trade treaty and by the terms of the Sugar Act of 1948 as annual sugar quota for the Philippines of 980,000 tons was established. This figure has remained static from 1948 to the present time although quotas for other foreign suppliers have been substantially increased, particularly in the 1956 amendments to the Sugar Act. At the time of signing of these amendments into law President Eisenhower said:

"It was not considered feasible to recommend an increase in the Philippine quota at this time. I believe, therefore, that when new amendments are being prepared at the conclusion of the present act, consideration should be given to

allowing the Philippines to share in increased consumption as is now provided for other foreign countries by this bill."

Second: In 1960 the President of the United States was granted authority to make changes in sugar imports because of the political defection of Castro's Cuba. The President thereupon terminated Cuba sugar imports. This step resulted in an immediate deficit in U.S. sugar requirements of about 3,200,000 tons annually. Foreign suppliers were called upon to increase their supplies to meet the deficit. Planters and millers in the Philippines, despite the strait-jacket into which their production had been fitted, responded to the extent that they made shipments to the United States, in addition to their quota of 930,000 tons per year, 743,337 tons since July 1960.

Third: At this point may I inject a few relevant statistics.

The sugar industry has again assumed first place in the Philippine economy.

The present investment in the sugar industry in the Philippines is estimated at \$750 million.

Approximately 3 million people out of a population of 28 million depend on sugar for their livelihood.

Banks, insurance companies, shipping, and manufacturing and other industrial institutions largely depend upon the existence and growth of sugar.

This activity pays more taxes than any other in the Philippines and has shown as great a degree as any in modernization techniques and social welfare progress.

The Philippines have been and now remain one of the best customers of the United States. Wheat, milk, electrical apparatus, automobiles and parts, and numerous other products have found a primary market there. During the last 10 years, from 1952 through 1961, Philippine imports from the United States have averaged more than \$300 million annually, which represents 55.5 percent of total Philippine imports. The trade balance in favor of the United States has averaged approximately \$50 million yearly.

Fourth: Revisions of the Sugar Act proposed by the executive department of the Government of the United States favor generally the abandonment of the quota system and as to a large volume of sugar imports the immediate surrender of so-called premium payments and as to the basic quotas of the full-duty countries the gradual relinquishment of the price premium structure. We align ourselves with those who favor the continuance of the quota system. This device was conceived almost exactly a quarter of a century ago for the practical purpose of insuring supplies in the United States at stable prices at all times while without any economic damage to ourselves, economic assistance was extended to other areas in the world. Moreover, the payment of U.S. premium prices has functioned along with the quota system toward the same desirable objectives.

Any assumptions based upon the existence of a genuine world sugar market are fallacious. Carefully planned systems in the production, flow and acquisition of sugar supplies are commonly promulgated and maintained by governments all over the earth. It has long been recognized that it would be impossible to guarantee a steady and adequate supply of sugar for consumers in Great Britain, for example, as well as the United States, if there were a freely competitive world market or if the only reward to the producers would be the average price commanded by the relatively small amount of sugar which is left in the world after the systematic distribution of available supplies is accomplished.

The so-called world market is simply a dumping ground for sugar supplies which are not absorbed through quotas and systematic planning. To depend in the future on a world market for the greater part of the supplies which the United States will always require may place in the hands of the determined enemies of our economy the power to manipulate sugar supplies to the ultimate detriment of U.S. consumers.

Fifth: Whatever generalities may be applicable to other sugar-producing areas in the world the security of sugar supplies and the stabilization of prices on sugar originating in the Philippines depend on fixed sugar quotas and premium prices no part of which can be recaptured by the United States through import fees or other devices.

Other foreign suppliers like Mexico, Santo Domingo and Cuba before Castro produced and sold in the world market an amount of sugar at least equal to that exported to the United States. The Philippines since the approval of the Sugar Act of 1937 have virtually renounced any part of the world quota because of

their exclusive interest in the allotment of a portion of the U.S. market. The United States has been the single and exclusive sugar market for the Philippines and therefore the cost of production there is correspondingly geared to the price in the United States.

The quota system has been the only one under which the Philippine sugar industry could and can operate and the premium payments represented by the domestic prices in the United States represent the incentive under which sugar production in the Philippines can be kept at a high level and the people participating in the industry can earn living wages and be the beneficiaries of improved living conditions.

The argument that a fund in the Treasury of the United States made up of fees representing a recapture of premiums on sugar imports would be available for assistance to foreign nations has no application to the Philippines. That country is not comparable with those requiring the first stages of financial aid from the United States. The Philippines more accurately come within the reasoning of Secretary of State Dean Rusk, who said in a speech delivered December 1, 1961, to the Conference of International Social and Economic Development:

"The drop of a few cents in a primary commodity can, for example, in a particular country, wipe out by several times any effect of American aid to that particular country."

Sixth: the administration-sponsored legislation to revise the Sugar Act proposes again to limit the quota of the Philippines to 980,000 tons, thus continuing the straitjacket restricting the sugar economy of the Philippines and the opportunity of the United States to obtain a secure supply at stable prices from that source. The treaty with the Philippines establishing the quota was given due recognition but adherence to the outgrown Government position failed to read the promises implicit in the revised trade agreement of 1955 between the United States and the Philippines containing the following language:

"The establishment herein of the limitations on the amount of Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future."

Seventh: the Sugar Act Amendments of 1962 adopted by the House of Representatives give recognition in a measure to the needs and the deserving position of the Philippine sugar planters, producers, and exporters. The fixed annual quota for the Philippines has been raised to 1,050,000 short tons raw value. Moreover, the Philippines have been included for the period ending December 31, 1962, and the calendar year 1963 to the extent of 10 percent of any quantity of sugar which may be authorized for purchase and importation due to the continued absence of Cuba from the family of friendly nations. Besides this the Philippines will be considered in connection with possible deficits in other sugar-producing areas.

The provisions of the Sugar Act Amendments of 1962 favorable in some measure to the Philippines are accepted with gratitude, and it is hoped that the ultimate law which will go into effect after action by the Senate and approval by the President of the United States will contain as a minimum the provisions promising at long last a necessary improvement in the position of Philippine sugar producers in the U.S. market.

In behalf of the worthy people whom I represent I again urge most strongly the enactment of legislation preserving a sugar quota at U.S. domestic prices with no provision for recapture in whole or in part of the premium above the so-called world market price of at least 1,050,000 tons per annum for the Philippines, a participation of at least 10 percent in added imports due to the termination of the Cuban quota and such other benefits as may be provided for the Philippine sugar industry.

The people whom I represent and I personally are very grateful for the opportunity to appear before you.

The CHAIRMAN. The next witness is Mr. Charles H. Brown, South Pacific Sugar Mills, Fiji Islands.

Mr. Brown, take a seat, sir.

STATEMENT OF CHARLES H. BROWN, SUGAR INDUSTRY OF FIJI

Mr. BROWN. Thank you very much, Mr. Chairman. I appreciate this opportunity to appear before this distinguished committee.

I am Charles H. Brown, president of a public relations firm in Washington. I am here on behalf of the sugar industry of Fiji, a little island country in the southwest Pacific, 2,700 miles west of Hawaii.

During World War II Fiji supplied some 60,000 tons of sugar to the American people here at home, and substantial quantities to men of the U.S. Armed Forces abroad, and already this year Fiji has supplied this country with 5,000 tons of sugar.

Fiji wants to continue to supply sugar to this market for many reasons, not the least of which is that Fiji's trade with the United States is not in balance. She purchases two to four times as much from the United States as we purchase from Fiji.

She is buying 99 percent of her tobacco from us. In fact, Fiji's per capita imports of U.S. tobacco compare favorably with America's best customers anywhere in the world.

In April of this year Fiji announced she will purchase 4,000 tons of brown rice from this country this year.

All this trade, while it is extremely small by U.S. standards, is for cash dollars. These are not Public Law 480 purchases.

Fiji has never sought or received any AID grants or loans from the United States.

Fiji seeks trade from the United States, and sugar is the only commodity which she can sell to us in quantity.

Fiji is acknowledged to be one of the world's efficient sugar producing countries with the capacity, the experience, and the production records to assure U.S. refineries the quality of raw sugar they want when they want it.

Fiji is 3,000 miles closer to the U.S. east coast refineries than are the Philippines and Taiwan.

Fiji can supply the United States with up to 70,000 short tons of raw sugar annually without incurring new capital expenditures in field or factory.

To date every U.S. dollar spent for Fiji sugar has remained in the United States.

Mr. Chairman, this final point which I think merits special consideration: under the Anzus Pact, the United States shares responsibility for the defense of Fiji with Anzus partners, Australia and New Zealand.

Fiji's airstrips and ports were very important to the United States and the free world in World War II.

Over 100,000 of our boys were stationed there for the mounting of the campaigns into the Solomons and so forth.

Fijians have fought side by side with American boys at Guadalcanal, Bougainville, the Solomons, and other historic battlefields.

With the United States deeply committed in the Pacific and in Asia, it is my personal opinion that our own self-interest would be served to continue this sugar trade with Fiji because sales of raw sugar to the United States are a simple way to help insure the economic and political stability of this little island country which has in the past, and may again, prove vital to free world security.

For these reasons, and for others which are stated in the statement, which I would like to insert at this time, Fiji hopes that you will give serious consideration to her request to sell sugar in the United States, and she can supply up to 70,000 tons a year if she has the opportunity. The CHAIRMAN. You want your statement inserted in the record? Mr. BROWN. Yes, Mr. Chairman.
(The prepared statement of Mr. Brown follows:)

STATEMENT BY CHARLES H. BROWN ON BEHALF OF THE SUGAR INDUSTRY OF FIJI

Mr. Chairman, thank you for this opportunity to appear here today. My name is Charles H. Brown; and I am here on behalf of the sugar industry of Fiji, a little country in the South Pacific which is currently supplying sugar to the United States.

First, may I convey to this distinguished committee and, through you, to the people of the United States Fiji's deep gratitude for the 5,000-ton U.S. sugar allocation which Fiji received in the first half of 1962.

This allocation has been a front page event in little Fiji, because it is Fiji's first entry into this important market since World War II. During the war, she supplied some 60,000 tons of sugar to the American people at home and substantial quantities to men of the U.S. Armed Forces.

The 12,695 independent cane farmers of Fiji have the capacity and a record of production to insure supplying up to 70,000 short tons of sugar to the United States annually without having to undertake new capital expenditures in either field or factory.

Under the International Sugar Agreement of 1953 and the Commonwealth Sugar Agreement of 1951, Fiji's sugar exports have been limited to 184,000 long tons. Fiji's local consumption of sugar is 15,000 long tons.

Fiji has proved that her cane lands can produce and her mills are capable of handling 280,000 long tons of sugar annually—roughly 80,000 long tons in excess of present outlets.

SOUTH PACIFIC GATEWAY

Fiji is a group of about 322 islands (95 inhabited) approximately 2,700 miles west of Hawaii, 1,800 miles east of Australia and 1,200 miles north of New Zealand.

Fiji is approximately 3,000 miles closer to the U.S. east coast sugar refineries than the Philippines and Taiwan.

In the words of Prof. K. B. Cumberland, M.A., D.Sc., professor of geography at Auckland University, "Fiji is to the southwest Pacific and to Australia what Hawaii is to the north Pacific and to the North American Continent. Like Hawaii, Fiji is a considerable source of tropical produce, a market for manufactured goods and processed foodstuff, first stop on trans-Pacific journeys by either Skymaster or passenger ship, strategic outpost, advanced airbase, and winter tourist resort.

"Just as traffic for North America diverges at Honolulu for Vancouver, Seattle, San Francisco, and Los Angeles, so traffic for Australia and New Zealand diverges at Nandi and Suva. Excluding only Hawaii, Fiji is economically the most important island group in the Pacific world as here defined." ("South West Pacific," 1954, pp. 290, 291.)

The population of Fiji was 374,284 people at the end of 1958, consisting of 2.4 percent Europeans; 97.6 percent Fijians, Indians, Chinese, and other Pacific races.

FIJI LOYAL FRIEND AND CUSTOMER OF UNITED STATES

There have long been strong bonds of friendship between the United States and Fiji. American GI's and Fijians have fought side by side in many historic battles—Guadalcanal, Bougainville, the Solomons, and others. In World War II, Fiji became a separate island command under the Americans, commanded by Maj. Gen. O. F. Thompson, and all Fiji forces came under him for operations. The port facilities of Suva were a revictualing base for the Anzac Naval Force and for American convoys carrying men and supplies to Pacific garrisons.

In 1954-56, Fiji supplied troops for SEATO operations against the terrorists in Malaya. The Fijians are loyal friends and allies of the United States and the free world.

Fiji and the United States have enjoyed uninterrupted trade relations for many decades. In total trade, Fiji consistently purchases two to four times as much from the United States as the United States buys from Fiji. Naturally, Fiji's total trade is extremely small—comparable to that of a small city in the United States; but Fiji buys all she can from us with the limited dollars she has. Principal purchases are tobacco, aircraft supplies, lubricating oils, and photographic equipment.

Over 99 percent of the tobacco purchased by Fiji is American leaf. In fact, Fiji's per capita imports of U.S. tobacco compare favorably with America's best customers. All Fiji purchases from the United States are for cash dollars—no Public Law 480 purchases.

In April of this year, Fiji signed a letter of agreement with the United States to purchase some 4,000 tons of brown rice from this country, for dollars. A first shipment has already been milled and sold by Rewa Rice Mills, Ltd., in Nausori, Fiji; and I am happy to report to this committee that the Fijian rice millers are pleased, indeed, with the quality, the yield, and the consumer acceptance of U.S. rice in Fiji.

Under the ANZUS Pact, the United States shares responsibility for the defense of Fiji with ANZUS partners, Australia and New Zealand. Fiji's airports, harbors, and facilities are important to the United States and the free world, militarily.

And sugar is the foundation of Fiji's economic stability. Fiji seeks trade, not aid.

She has never sought or received AID grants or loans. All she asks is a chance to sell some sugar in the U.S. market.

With the United States deeply committed in the Pacific and Asia, it is my honest opinion, Mr. Chairman, that we must, in our own self-interest, permit Fiji to sell sugar in the United States for this one reason, if for no other: Sales of raw sugar to the United States will help to insure the economic and political stability of these islands which have in the past and may again prove vital to free world security.

SUGAR PRODUCTION IN FIJI

In contrast with the system of plantation or estate farming of sugar cane predominant in most tropical countries, cane is grown in Fiji by individual risk-taking farmers who depend on the earnings from their cane production for their livelihood. The average holding is about 9 acres.

Improved farming techniques

The following improved farming techniques have been introduced to improve production from existing cane lands in the last decade:

- (a) A more intensive crop rotation system (cropping each year a greater proportion than before of the cane farmlands).
- (b) New canes giving higher yields per area.
- (c) Better and wider use of fertilizers.
- (d) Improved agricultural practice (for example, drainage and improved control of disease in cane).

There have also been major improvements in factory techniques and equipment. (See appendix.)

The result of this improved industry efficiency was that in the 1959 crop year, Fiji produced a record quantity of 283,000 long tons of raw sugar from 2,447,250 tons of cane harvested.

The huge production in 1959 meant that a large quantity of sugar (about 100,000 tons) was carried over into 1960 and necessitated a reduction in production to a figure consistent with market requirements and appropriate stock levels.

Fiji illustrated in the 1959 season that her cane lands can produce and the mills can handle at least 280,000 tons of sugar—some 80,000 more tons than present customers can regularly absorb at economic prices.

SUMMARY

In making application for a basic quota to supply raw sugar to the United States, Fiji respectfully directs your attention to the following considerations:

- (1) Fiji is an efficient and dependable source for sugar, with the capacity, the experience, the production records over a long period of years to assure U.S. refineries the quality of raw sugar they want, and when they want it.

(2) Fiji can supply the United States with up to 70,000 short tons of raw sugar annually without incurring new capital expenditure in field or factory.

(3) Fiji has political stability and a long record of friendly trade relations with the United States.

(4) Since the United States already shares responsibility for the defense of Fiji under the ANZUS Pact, it would be logical for these two countries to continue and expand their trade relations in sugar, the commodity which supports Fiji's whole economic structure.

In light of these factors, the sugar industry of Fiji will deeply appreciate your serious consideration of a basic U.S. sugar quota for Fiji; and we have every confidence that this great committee will be fair and just in its consideration of this request.

APPENDIX—FIJI SUGAR INDUSTRY DATA

(A) Area of cane lands 1949-61

Year:	Area of cane lands	Year—Continued	Area of cane lands
1949.....	93, 511	1956.....	115, 654
1950.....	93, 205	1957.....	123, 986
1951.....	96, 006	1958.....	123, 863
1952.....	101, 528	1959.....	130, 885
1953.....	104, 163	1960.....	127, 084
1954.....	108, 726	1961.....	127, 841
1955.....	110, 854		

(B) Number of cane growers and average areas cultivated 1949-61

Year	Number of growers	Average area cultivated per farm	Year	Number of growers	Average area cultivated per farm
1949.....	9, 038	10.0	1956.....	12, 079	9.3
1950.....	9, 246	9.8	1957.....	13, 230	9.1
1951.....	9, 106	10.2	1958.....	13, 720	9.2
1952.....	9, 623	10.2	1959.....	14, 270	9.4
1953.....	10, 855	9.8	1960.....	12, 582	9.9
1954.....	11, 457	9.2	1961.....	12, 666	9.9
1955.....	11, 709	9.2			

(C) Average tons cane crushed per week at Fiji mills in 1949 and 1958

Year	Mills			
	Rara'wai	Labasa	Lautoka	Penang
1949.....	11, 894	5, 619	20, 026	3, 661
1958.....	15, 184	7, 833	24, 147	4, 413
Percent increase.....	27	39	21	46

Source: South Pacific Sugar Mills, Ltd., records.

The CHAIRMAN. Any questions?

Senator DOUGLAS. I would like to ask if the Fiji Islands are included in the Commonwealth Sugar Agreement?

Mr. BROWN. Yes; they are, Senator.

Senator DOUGLAS. How much sugar does Great Britain, under that agreement, take from Fiji?

Mr. BROWN. Great Britain, Canada, and New Zealand take approximately 170,000 tons.

Senator DOUGLAS. At what price?

Mr. BROWN. Sir?

Senator DOUGLAS. At what price per pound?

Mr. BROWN. Well, it is approximately the U.S. price. Sales to the United Kingdom net \$90 to \$110 per ton.

Senator DOUGLAS. It receives \$90 a ton, which would be 4½ cents a pound?

Mr. BROWN. That is about right; yes, sir.

Senator DOUGLAS. The American price is 6½ cents a pound.

Mr. BROWN. Well, the American price includes the freight.

Senator DOUGLAS. From the West Indies, half a cent a pound, \$10 a ton.

Mr. BROWN. You see, Fiji's sales to New Zealand, the freight would not be anything like what it is to the United States.

Senator DOUGLAS. Exactly so.

Is it not true that the Fiji sugar primarily goes to Australia and New Zealand?

Mr. BROWN. Not Australia.

Senator DOUGLAS. New Zealand.

Mr. BROWN. New Zealand, Canada, and Great Britain.

Senator DOUGLAS. Is it true that the primary sales go to New Zealand?

Mr. BROWN. Yes.

Senator DOUGLAS. New Zealand is not so far from the Fijis, is it?

Mr. BROWN. No. But, you see here is Fiji's problem; it is very simple. They need expanding markets. It is not much that we are talking about. It is, you know, 70,000 tons out of the world picture of 60 million. You can lose that much off the boat in a high wind.

Senator DOUGLAS. Well, Mr. Brown, it is only 10,000 tons a year, but that is a subsidy at \$56 a ton, which is a favor of up to \$56 a ton over the world price for 5 years, or \$2,500,000. You have made a very interesting plea that it is not much. But it is really something, you know, and not only that, but I am struck with the fact that since the distance between Fiji and New Zealand is not great, freight costs cannot be appreciably more, and apparently they are asking the United States to pay them more than the British Commonwealth will pay them.

Do you think that we should assume greater responsibility per ton of sugar than the great British Commonwealth?

Mr. BROWN. Well, Senator, actually when you compare the volume that little Fiji could sell to the United States with the volume that she sells to Great Britain, U.S. participation in that picture would be relatively small. But it is an important participation.

Now, under the Senate bill, and this I would like to present for consideration by this distinguished, fairminded body, under the Senate bill—

Senator MORTON. Thank you.

Mr. BROWN. I mean that. I served in the House long enough to know you are fairminded. Under the Senate bill Fiji's sales to this country would have to move at the world price because the difference between the so-called world price and the U.S. domestic price would be impounded into the U.S. Treasury.

Now, the world price today is substantially below the cost of production in Fiji, which is one of the world's most efficient sugar-producing countries.

Every sugar man I have heard says that the present world price is well below the cost of production of any country in the world.

Now, if we buy sugar from Fiji at less than cost of production, actually what we are asking for is lower wages in the plants, we are asking for lower income for their family farmers, and they are family farmers who produce that sugar in Fiji, absolutely, 13,000 of them, with 9-acre tracts; and they all produce it independently and market their sugar under an 8-year agreement as to what percentage of the total proceeds they are going to get.

We will be asking those people to accept a lower standard of living if we tried to buy—

Senator DOUGLAS. Why should we pay more than the British Commonwealth?

Mr. BROWN. Well, sir, that is a good question, and I think maybe the truth in this thing might be somewhere in between some of these proposals that have been brought forward. One of them is much too low, and you say the other one is much too high. Actually, maybe there should be some common ground found in there somewhere.

Fiji needs to sell sugar to the United States at an economic price, not a distressed price, and that is what the world market is today.

Senator MORTON. Will the Senator yield?

Senator DOUGLAS. Yes.

Senator MORTON. You say you can produce sugar as efficiently as any country?

Mr. BROWN. Yes, sir.

Senator MORTON. If you can do that, why are you afraid of having the United States buy the Cuban quota on the world market? You would be in a wonderful position then, it seems to me, to get the business if you are this efficient.

Mr. BROWN. It is just this simple, Senator: All but 8 million tons of sugar in the world flows through negotiated sheltered market arrangements. Of course, you know that.

Senator MORTON. Yes.

Mr. BROWN. That 8 million tons, known in the sugar industry as the garbage can market, can be affected by just one little item like this: Somebody ships a shipload, half of beef and half of sugar. They adjust the freight rates, you know, to load it onto the beef, take it off the sugar, and in that one cargo it becomes the world price. That is so because there are just 8 million tons flowing.

What I would suggest is that if we really believe in trade agreements, if we really believe in stabilizing world markets, you know, at remunerative prices—and we signed the International Sugar Agreement, this Congress ratified it—and if we believe that we are trying to lead the world to better commodity prices, couldn't we figure out some way where there could be a fair price for little Fiji's sugar and everybody else's sugar?

Senator MORTON. Well, I had a little old business, too, and I always had to worry about the price of the big fellow. If I did make a better mousetrap at a lower price I got the big fellow's business.

You say yourself you can produce sugar as efficiently as anybody else. I suppose by that you mean at a lower cost than anybody else.

Mr. BROWN. That is right.

Senator MORTON. If I were in your place, I would say to this committee, "Take this bill and stop it and let me get the sugar business because I can put it out."

Mr. BROWN. Now, just a second. I heard that theory expounded in Missouri back in the 1930's when I lived in southwest Missouri. We cannot grow corn in southwest Missouri. When you plow a hillside down there, Senator Fulbright knows, you have to have one leg shorter than the other to plow it.

Senator MORTON. We have some sections like that in Kentucky, and they are equally Republican.

Mr. BROWN. You are right. [Laughter.]

Now, we could not produce corn, but we did, and those efficient corn producers in north Missouri said, "You just let this price go on down and we will run that inefficient corn producer in Missouri out."

Senator MORTON. But you are an efficient sugar producer.

Mr. BROWN. Just a minute. I am saying this as if I were in north Missouri.

All right, the price got down in 7 years well below the cost of production. We were actually burning the corn for fuel, and those people in north Missouri said, "Why don't those inefficient fellows get out and leave it to us efficient fellows?"

The truth is that once a price falls on a commodity, such as an agricultural product or a mining product, it is just harder than the very devil to get it back up; and I think the United States has always been committed, in recent years at least, to try to promote stabilized prices all over the world, and trying to lead the world to economic prices.

Now, I believe there is a way to do that under this Sugar Act. I would not tell you that the House bill is perfect. I would not tell you that the administration bill is perfect. But maybe with all the brainpower that there is around here there can be a good bill.

Senator MORTON. Well, you and I have both served in the most interesting body in the United States, the House of Representatives.

Mr. BROWN. And it is a great body.

Senator MORTON. It is. And it is the same pay over here and a lot more work and a lot more headaches, I can assure you of that.

Mr. BROWN. Well, there were plenty in the House when you are from a Republican district. [Laughter.]

Senator MORTON. You are talking about burning corn down there in southwest Missouri.

Mr. BROWN. Right.

Senator MORTON. You know perfectly well, having represented so ably the district, the southwestern Missouri district, that you got a gallonage from your corn just as we are getting it in Kentucky. Why else did they raise it? [Laughter.]

Mr. BROWN. Well, Senator, we don't talk about that.

Senator MORTON. I know that, but it is a fact, and I do not—I am friendly toward the Fiji Islands and its people.

Mr. BROWN. Thank you.

Senator MORTON. I know a little about it, but I remember one day getting some orders in 1943 to take the first floating drydock that had ever been built out to the New Hebrides, and I was in command of the escort ships that took this out.

We towed the thing out with Liberty ships in 10 sections. Our speed of advance was an exciting, $6\frac{1}{4}$ knots.

We were a sitting duck. If any submarine had found us we were all gone. So my orders were to stay out of sight of land, and it took us 42 days.

The only time I knew where I was, I got a radar fix on the Fiji's, so I have a very sympathetic appreciation—that is the only time I knew where it was during the whole war, so I have a very sympathetic feeling, toward you and your problem.

I think you have made a good case, but I think you will be better off with your great efficient production in the Fiji Islands competing with the world because you can really do it. You can do it out there, there is no question about it.

I think you would be better off if you would just let us go on a world quota.

Mr. BROWN. Senator, you know I deeply appreciate all those kind remarks, and I agree with you about everything except that last part. Let us not force these little people to compete for an uneconomic market.

The CHAIRMAN. Senator Fullbright?

Senator FULBRIGHT. Congressman, how long have you been so closely identified with the Fiji's?

Mr. BROWN. About 18 months, and I was out there last fall, and I fell in love with that little country. They have quite an opportunity and, you know, we have overlooked them too long. They are pretty vital to us.

Senator FULBRIGHT. Well, I had not been aware of that. [Laughter.]

Mr. BROWN. Too many people have not, and that is what makes my job so hard.

Senator FULBRIGHT. Tell me, when did you sign a contract to represent the Fiji's?

Mr. BROWN. Well, January 25, 1961.

Senator FULBRIGHT. How much do you get for representing the Fiji's?

Mr. BROWN. I get \$2,000 a month, and I hope it continues.

Senator FULBRIGHT. Plus expenses?

Mr. BROWN. Yes, sir.

Senator FULBRIGHT. Have you filed any reports under the Foreign Agents Registration Act?

Mr. BROWN. Yes, sir, filed them regularly.

Senator FULBRIGHT. Do you file your expenses together with your income?

Mr. BROWN. Well, I turn that over to my tax accountant; and the last report he said he filled it out the way he fills them out for all the other people. At least, we set forth every dime we spend.

Senator FULBRIGHT. It is a fact that none of them fill out the report as required by law?

Mr. BROWN. This is all new to me, you know, just the last year and a half. But if it ought to be changed, change it any way you want to, and we will meet the requirements because we have nothing to hide.

Senator FULBRIGHT. There is nothing wrong with the law. It is just they do not abide by it.

Have you looked at the way you have responded to that law?

Mr. BROWN. Well, I looked at it the last time it was filed, but frankly I did not pay too much attention to it.

Senator FULBRIGHT. Do you represent anybody except the Fiji's?

Mr. BROWN. Yes, sir. I represent the National Education Association, I represent the Fairchild Stratos Co.

Senator FULBRIGHT. I mean any other foreign nation?

Mr. BROWN. No.

Senator FULBRIGHT. Just the Fiji's?

Mr. BROWN. Actually, I represent the South Pacific Sugar Mills, Ltd. of Fiji, and Colonial Sugar Refining Co. of Australia which markets the sugar for Fiji because Fiji's sugar industry is not big enough to handle its own international market.

Senator FULBRIGHT. I was curious why you thought the purchase by Fiji of American tobacco was so important. What relation does that have to the sugar bill?

Mr. BROWN. Well, I think it has this relation: you know, several members of this committee, and when I was in the House several members talked about some way where we could get these countries from whom we buy sugar to buy U.S. agricultural commodities, that that would help us out.

Now, Fiji does buy an important agricultural product in tobacco, and frankly I helped work out where Fiji would buy brown rice from this country because that new rice mill over there could be a good solid market for the United States, and I would like to see our rice move in that direction.

Senator FULBRIGHT. What was the value of the tobacco that Fiji bought last year?

Mr. BROWN. I would like to supply that for the record, I do not have it. These are all small purchases, Senator.

This is a small country. It is about time, you know, a small city in the United States.

(Mr. Brown later submitted the following for the record:)

Total value Fiji 1961 tobacco purchases from United States, \$253,000.

Senator FULBRIGHT. That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Brown.

Mr. BROWN. Thank you, Senator.

The CHAIRMAN. The next witness is John C. Duncan, Peruvian Sugar Producers Association.

Take a seat, sir, and proceed.

STATEMENT OF JOHN DUNCAN, EXECUTIVE VICE PRESIDENT, SOUTH AMERICAN GROUP, W. R. GRACE & CO.; ACCOMPANIED BY JOHN D. J. MOORE, VICE PRESIDENT, W. R. GRACE & CO.

Mr. DUNCAN. Mr. Chairman and members of the committee, my name is John Duncan. I am executive vice president of the South American Group of W. R. Grace & Co. of New York. In that position I am in charge of our South American operations. For 15 years I have been closely associated with Peru and the Peruvian sugar industry.

I appear before you today as the representative of the Peruvian Sugar Producers Association, a voluntary trade organization located in Lima. The association is composed entirely of private individuals

and companies engaged in the cultivation and manufacture of sugar in Peru. This organization has no connection with the Government of Peru and receives no Government subsidy.

I am accompanied here by John D. J. Moore, vice president of W. R. Grace & Co., who has testified on sugar legislation a number of times previously, and together we will be happy to try to answer any questions you may have after our prepared testimony has been read.

At the outset, Mr. Chairman, I should like to make perfectly clear the traditional position of the Peruvian sugar producers, who have been supplying the United States for more than 50 years. We have expressed in previous years before this committee that we recognize fully the primary claim of U.S. domestic cane and beet sugar producers in the market of their own country. We do not seek to replace a pound of domestic production but rather to ask for a fair and effective share of the foreign purchases of the United States, and to participate in a sound diversification of the American foreign sugar procurement.

We believe S. 3290 is a threat to the system which for a quarter of a century has provided the United States with an adequate and dependable source of sugar. Mr. Frank Kemp in his testimony before the House Committee on Agriculture on May 15, 1962, expressed this belief when he said:

"Global quota," as the chairman has very aptly stated, means no quota at all. How, you may say, well, this does not concern you; this concerns these foreign countries. It does concern us because, as the chairman has expressed, this will mean the destruction of this system. I am so confident of that that I am willing to stand up here and say so.

Now, what is the global quota? What will it do?

(1) It may induce dumping on the U.S. market at the beginning of each new quota period.

(2) It would disrupt the orderly marketing of sugar in the United States and thereby adversely affect domestic producers and sugar consumers.

(3) There has been a distinct advantage to this country, it must be clear to all, in the ability that this system has given us to favor selected friendly countries by assigned shares in our market. A global quota would destroy this advantage.

(4) Where we have given quotas we have had the right, and have used it, to ask the friendly recipients to assume some responsibility in maintaining stocks and supplies to cover our needs. We could not ask for this of anyone under a global quota.

(5) We have enjoyed an uninterrupted adequacy of sugar supply because of quotas granted and the price premium realized in this market by foreign supplies.

If the quota or the price premium is obliterated, assurance of adequacy of supply goes out the window with them.

Over the years the Sugar Act has demonstrated that it can protect consumers and producers alike by providing stability to the trade, fair prices, and a fair return. To Peru, the act means all this and more. It means a stable market and a stable price for one of its principal exports.

The Peruvians do not understand how the administration's sugar proposal can be equated with the many statements by President Kennedy, Secretary Rusk, and others concerning the need of friendly underdeveloped countries for reasonable and stable prices for their commodity exports. The proposals seem completely at variance with the principles of the Alliance for Progress. Believe me, gentlemen, the Peruvians do not understand the administration's position and neither do I.

One of the keystones of the U.S. Government's Alliance for Progress program has been the desire to strengthen, not weaken, the economies of the Latin American countries. A major point which has been emphasized is the desire to fortify the development of the private enterprise system in these countries. In Peru, the sugar industry is a major part of its private enterprise economy.

In the total economic picture of Peru, sugar is not merely an export commodity. It is vital to the economic well-being of the country, to balancing its internal budget, to employment, and to the stability of the currency. It is an important factor in providing revenue to the Peruvian Government in its effort to advance the standard of living of its people.

In 1961, sugar accounted for \$71 million or 15.4 percent of Peru's total exports. To put this in focus, let me point out that an equivalent percentage of total U.S. exports would be \$3 billion, or say that portion of our exports represented by all food products of every description.

The United States has frequently emphasized in recent months its desire to increase exports generally and its oversea sales of surplus agricultural products in particular. The Peruvians are now asking how the United States can expect Peru and other Latin American suppliers to purchase U.S. goods and products at U.S. prices when this country is unwilling to buy sugar from Peru at United States prices.

Taxes paid by the sugar industry to the Peruvian Government are estimated for the year 1961 at \$19,400,000, accounting for 7.7 percent of the country's total tax receipts for that year. An equivalent percentage of total U.S. tax receipts would be \$6 billion, or the combined tax payment of the steel, chemical, motor vehicle, electrical machinery, paper, and food industries.

There are about 40,000 sugar workers in Peru. With their families they number 220,000 people who are directly dependent upon the sugar industry for their livelihood. But many times this number are indirectly dependent upon the industry.

The price recapture provision of S. 3290 would require Peru to sell its sugar to the United States at normally depressed, so-called world market levels. The difference between the U.S. price and the world market price would be taken in by the Treasury Department through an import tax which, of course, is simply another and presumably more palatable name for a tariff.

It has been said that the benefits of the U.S. price have not helped the workers, but rather have stayed in the hands of the producers. In the case of Peru, this is not true. I would like to give you the Grace figures which I believe are typical of the Peruvian industry. I will compare 1959, the last pre-Castro sugar year, with 1961. In 1959 Grace sold about 16,500 tons of sugar to the United States. In 1961 we sold 93,500 tons. Thus the downfall of Cuba brought 77,000 tons per year more to Grace.

As Senator Douglas developed here, the U.S. price is \$56 per ton higher than the present so-called world price. Thus, our 77,000 tons at \$56 meant \$4 $\frac{1}{2}$ million more for Grace per year. What happened to the \$4 $\frac{1}{2}$ million per year? It has gone largely for increases in wages and other benefits to workers, and for taxes to the Peruvian Government.

Since 1959 our wages and other labor costs in dollars per worker per year have risen by no less than 69.5 percent. The increase between 1959 and 1961 amounted to \$522 per worker. We have approximately 4,500 workers on our 2 farms. Thus, at \$522 increase per year for each worker, our annual labor bill was up \$2,300,000 over 1959. So 51 percent of the \$4½ million we received for our higher sales to the United States has gone to the sugar workers.

In 1959 we paid \$1,171,000 in Peruvian taxes on our sugar profits. In 1961 we paid \$2,731,000. That is an increase, comparing one year with the other, of about \$1½ million per year. So about 33 percent of our U.S. price has gone in taxes.

If you add the increased labor bill of \$2,300,000 to Grace's increased tax bill of \$1,500,000, you get \$3.8 million, and that accounts for about 84 percent of the \$4½ million Grace received from higher sales to the United States. The balance of \$700,000 or 16 percent of the \$4½ million was retained by the producer. As a matter of fact, our profits rose by only \$400,000, because of the increase in other expenses.

The investments which Grace has made in its two sugar properties to modernize, reduce costs, and improve housing and other social facilities total about \$9 million over the last 5 years. Of this amount we estimate that \$3 million has been spent on housing and other social facilities, including hospitals, schools, housing, and recreational facilities.

Other companies in Peru are in the midst of identical programs. Peruvian sugar companies have been able to accelerate their capital investments because of the additional revenue derived recently from selling sugar in the United States.

It has also been stated before this committee that enactment of the administration bill will improve the U.S. balance of payments by saving \$150 million in sugar imports. We maintain that this is open to question, because if we reduce our imports by \$150 million then our exports over a period of time should go down by the same amount, unless other factors such as loans or grants come into play. In other words, gentlemen, to sell to someone you have to buy from him.

Peru, like other Latin American countries, is confronted with the very serious problem of having its major exports, on which it depends for its livelihood and economic progress, subjected to wide variations in world market prices. The United States Sugar Act provided Peru with a certain measure of stability along with a source of revenue it could count upon. However, if S. 3290 should be enacted, it would immediately throw Peru's sugar exports into the same state of uncertainty as its other exports.

Peru has always been a staunch ally of the United States. As a leader in combating communism, not only within its own borders but through the entire hemisphere, Peru severed diplomatic relations with Cuba before the United States, and has taken energetic action in the Organization of American States to rid the Americas of communism. In this and other instances it has always stood by the United States. It is also unique among nations as a proponent of the private enterprise system.

In this statement, the Peruvian Sugar Producers Association has sought to emphasize the very serious consequences which S. 3290 would

have on Peru should it be enacted into law in its present form. I hope that the committee's deliberations will result in a new and sound redistribution of the sources of supply to the United States, and that the Republic of Peru will be granted the equitable role in this effort which it merits on its record as a traditional and dependable supplier of sugar.

Thank you, Mr. Chairman.

Mr. Moore has a supplementary statement.

The CHAIRMAN. Thank you, Mr. Duncan.

Any questions?

Mr. DUNCAN. Excuse me, Mr. Chairman. Mr. Moore has a statement.

Mr. MOORE. Just one supplementary statement, Mr. Chairman.

I came here today specifically for the purpose of expressing our thanks to the Senator from Illinois, your colleague, Mr. Douglas, for his kindness and openmindedness in permitting us to file a statement on behalf of W. R. Grace & Co.

I had never met Senator Douglas before yesterday afternoon. The previous day I received a telephone call from Washington that there had been a colloquy here with some Government witnesses in which Senator Douglas had taken certain positions with regard to the Peruvian producers, including W. R. Grace & Co., and I must say I approached him with some trepidation.

He could not have been kinder. He not only discussed the matter with us in a completely understanding manner but urged us to put the statement in, and then further urged us to distribute the statement to which, with his permission, I believe we have now done.

In this letter, which I will not read because it has been given to you, we not only mention W. R. Grace & Co. but also the other sugar producers of Peru.

I would like to supplement with one sentence the statement on page 3 about the other producers in the light of a question which was asked this morning by Senator Fulbright with regard to the nationality of one of the largest producers.

The Senator referred to it as a German company, and I just wanted to point out, Senator, the name of the family, the controlling family, in that is the German name Gildemeister. The name is Negociacion Casa Grande. They are third or fourth generation Peruvians, and they happen to have that name just as some of our great names in this country, duPont and Weyerhauser have continental names, but they are fully established there, and they are a Peruvian company with some 200 stockholders in that country.

I say that in fairness to our neighbors, who are very responsible people in that country.

We will be happy to answer any questions about these Peruvian producers, and I wish again to express my appreciation to Senator Douglas for his kindness in this matter.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. I want to say that my relationships with you have been very pleasant indeed. I would like to ask you some questions about the Gildemeister Co., if I may. In my statement on Monday I put in the record my belief that W. R. Grace & Co. had approximately 18 percent of the Peruvian sugar acreage, and milled

approximately 21 percent of Peruvian sugarcane. I would like to ask if that is correct.

Mr. DUNCAN. Our exact percentage was 16.7 percent.

Senator DOUGLAS. 16.1 percent?

Mr. DUNCAN. Sixteen and seven-tenths percent of the entire production of Peru. We would have approximately 14 percent of the acreage.

Senator DOUGLAS. I see.

Mr. DUNCAN. Because we mill for some other people.

Senator DOUGLAS. These figures slightly overstate it.

Mr. DUNCAN. That is correct.

Senator DOUGLAS. May I ask you about the Gildemeister firm. What percentage of the acreage do they own and what percentage of the sugarcane do they process?

Mr. DUNCAN. The approximate percentage, I have figures here, production last year of the Gildemeister was 25 percent.

Senator DOUGLAS. 25 percent?

Mr. DUNCAN. I would guess they would have approximately that percentage of the acreage.

Senator DOUGLAS. So the two of you together have about 40 percent?

Mr. DUNCAN. That is correct, 42 percent.

Senator DOUGLAS. You referred yourself to the improvement of working conditions as being typical of Peru. Has the Gildemeister firm, do they pay the same wage scale that you do?

Mr. DUNCAN. Essentially, sir, yes.

Senator DOUGLAS. I understand that your wage scale is approximately \$3 a day on the average, including overtime and fringe benefits.

Mr. DUNCAN. I had made a calculation here that our average wage scale, which includes the fieldworkers and the technical factory workers, and we have mechanized a great deal in our field operations. Those people receive a great deal more, we cut almost 50 percent of our cane mechanically now in our haciendas, I have worked out that our average wage per day on a 294-day basis, is \$4.36, including cash, social laws, and the cost of the company town, which we maintain.

Senator DOUGLAS. What would this be for the field hands?

Mr. DUNCAN. It would be slightly less than that. I would guess, just guessing, probably the \$3.30 might be correct.

Senator DOUGLAS. My figure was for field hands.

Mr. DUNCAN. That is right. I think your figure you discussed yesterday was substantially correct.

Senator DOUGLAS. Does the Gildemeister firm pay the same rate?

Mr. DUNCAN. I would say they pay pretty much the same rate because one of our firms is right alongside of theirs, and we are in constant contact.

Senator DOUGLAS. You speak of housing which you have provided for your people. Have they provided the same amount of housing?

Mr. DUNCAN. I would say this, sir, that our company has probably been, as many foreign companies abroad, a leader in the housing program, and that the Peruvian companies are emulating us or coming along very satisfactorily in that sense. I think they have very adequate housing on their plantations. I think we probably are ahead of them.

Senator DOUGLAS. My information is that you are very considerably ahead of them.

Mr. DUNCAN. I say it is a matter of judgment. I do not know that.

Senator DOUGLAS. I notice you do not maintain the position that the added quota, which is given to you, rising from 108,000 in 1961, according to the House bill, to 200,000 in the House bill, was a vested right.

Mr. DUNCAN. No, sir. We in Peru have supplied sugar to the United States for a good number of years. We had a quota during the last 5 or 6 years of approximately 100,000 tons, and we feel that if the U.S. Congress decided they wished to buy sugar abroad under a quota system we should get our fair share of that quota system, and since we have been one of the largest full-duty suppliers of sugar, we feel that it is perfectly right that we should get an increase in the quota, if it should be decided by the Congress that an increase be given, and we do not feel that the additional so-called Cuban excess is a vested interest, by any means.

Senator DOUGLAS. Since the Senator from Kentucky and the Senator from Arkansas asked about legislative representatives, do you have a separate group of counsel in this country?

Mr. DUNCAN. Yes, sir; we do. We have the firm of Hedrick & Lane in Washington.

Senator DOUGLAS. How much do you pay them a year?

Mr. DUNCAN. They get paid, as I recall, \$15,000 a year.

Senator DOUGLAS. Are they paid on a contingent basis? Does the payment increase if the quota increases?

Mr. DUNCAN. No, sir; it does not.

Senator DOUGLAS. You pay expenses in addition?

Mr. DUNCAN. If there are some expenses, yes.

Senator DOUGLAS. Would you state for the record how much the expenses were during the last year?

Mr. DUNCAN. I am afraid I could not; no, sir.

Senator DOUGLAS. Will you supply it?

Mr. DUNCAN. I will get it and obtain it.

(Mr. Duncan subsequently furnished the committee with copies of the expense statements of Hedrick & Lane which had been previously filed with the Department of Justice and the Congress. The total expenses for 1961 amounted to \$1,133.57, and for the first quarter of 1962, \$370.44.)

Senator DOUGLAS. Thank you very much.

That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Senator FULBRIGHT. Mr. Duncan, are you registered as a foreign agent?

Mr. DUNCAN. No, sir. I am an officer of W. R. Grace & Co.

Senator FULBRIGHT. You are here lobbying for the sugar bill.

Mr. DUNCAN. Well, I do not know how you define the word "lobbying" sir. I am naturally interested in Peru and our interests there.

Senator FULBRIGHT. You say here in your formal statement you represent the Peruvian Sugar Producers Association.

Mr. DUNCAN. I am representing them here today before you because they felt that with our interest in Peru and all, it would be good for an American firm to represent them.

Senator FULBRIGHT. Then, perhaps, you should register over in Congress here where our domestic lobbyists register.

Mr. DUNCAN. I am not paid to do this by the committee.

Senator FULBRIGHT. You are not paid?

Mr. DUNCAN. Not by the committee to do this; no, sir.

Senator FULBRIGHT. You are paid by the Grace Co.

Mr. DUNCAN. That is right, sir.

Senator FULBRIGHT. This is just a labor of love?

Mr. DUNCAN. An interesting experience, I would call it.

Senator FULBRIGHT. I noticed you say that the U.S. Sugar Act provided Peru with a certain measure of stability along with a source of revenue it could count on.

This is one of the points that the administration has in mind in rejecting these allocations of the Cuban quota, is it not, to preserve some flexibility, so that you do not have his stability, they are all looking to the time that, perhaps, Cuba might throw off the yoke of communism.

I raise the same question. If this bill, as the House passed it, is adopted, why then, you or Peru and W. R. Grace, and all the rest of them, will have a vested interest in preventing Cuba from ever coming back into our free world, won't they?

Mr. DUNCAN. Well, sir, under the House bill we would more or less double our quota from 100,000, 108,000, to 200,000, and this would be permanent for the next 4 to 5 years.

The additional amount of 150,000 of the so-called Cuban windfall, if we were to lose that in any year, this would not completely destroy the Peruvian industry, and I will say this: The Peruvian producers, in my judgment, would rather see Castro overthrown and a democratic free government in Cuba than get an extra 150,000 tons of sugar.

Senator FULBRIGHT. I think that is a very patriotic attitude for them to take.

Mr. MOORE. May I add something to that, Senator?

Senator FULBRIGHT. Yes.

Mr. MOORE. I happened to have been a member of the U.S. business advisory group which was invited to the Punta del Este Conference which opened the Alliance for Progress.

At that time, the most ardent opponent that the Cuban representative, Mr. Guevara had, was Peru, and Peru had kept up—I am addressing myself to your point about acquiring a vested interest in longevity of Mr. Castro.

Peru, it is fair to say, led the Latin nations, in fact, led the hemisphere, on this question of attacking Castro. They broke off with him.

Senator FULBRIGHT. I am aware of that, and I would hate to change this attitude by giving you such a large stake in preserving the status quo.

I am afraid the next Punta del Este, if you get this quota, you won't be so avid for change.

Mr. MOORE. I can say this—

Senator FULBRIGHT. That was before you got any quota.

Mr. MOORE (continuing). In 1956 when this committee was holding hearings, and the House committee was holding hearings, a great many countries testified, including Cuba, that a larger quota would

help them preserve their capitalistic systems against the onslaughts of communism, and it would help to keep them from going Communist.

The Peruvian producers especially requested the witness who was testifying on behalf of them to announce to the U.S. Congress that they did not, repeat not, propose or suggest, that they wanted to suggest this quota to keep them from going Communist; they would not go Communist with or without the sugar markets. They said that in 1956 and that position we know from our knowledge of Peru is their position today.

Senator FULBRIGHT. That is very generous of them.

Is the Peruvian industry an efficient one?

Mr. DUNCAN. Yes, sir; I would say it is one of the more efficient industries in the world.

Senator FULBRIGHT. Why wouldn't you fare well on an open market where you could bid on this matter without a quota?

Mr. DUNCAN. As some of the other witnesses have testified, in our judgment an open market would be dominated by the Communists, and the Communists have been able to, as we know, manipulate the price, drive the price down. We do know that Cuba's selling price in the world market today is below costs, and there is no reason why they would not continue to do that in the future.

If there were fair competition and open competition Peru could compete; yes, sir.

Senator FULBRIGHT. Then this argument should be equally applicable to all commodities and all business, should it not?

Mr. DUNCAN. I think in this really—

Senator FULBRIGHT. You are really advocating here that we have a completely managed world trade, I suppose?

Mr. DUNCAN. No, sir. I think sugar is different from most.

Senator FULBRIGHT. Why is it different from other commodities, coffee, for example?

Mr. DUNCAN. Because the Communists do not control the world market for coffee. The Communist countries today supply approximately 65 to 75 percent of the so-called free market, free world market, sugar, and they control it. And as far as I know they control practically nothing of the coffee, the world's coffee market.

Senator FULBRIGHT. You mean through Cuba?

Mr. DUNCAN. Through Cuba and through Eastern Europe. You will find Polish sugar, East German sugar in countries of South America today.

Senator FULBRIGHT. Has it proved, in taking the case of we have heard stories about, tin and aluminum, have the Communists undermined the prices of those commodities?

Mr. DUNCAN. I am not familiar with them completely, sir, but I understand they have tried at certain times; yes, sir. I am sure some of the Senators know.

Senator FULBRIGHT. That is all, Mr. Chairman.

Mr. Chairman, I would like to ask one more question before he leaves.

You said two companies produced 45 percent of all the sugar produced?

Mr. DUNCAN. Forty-two percent

Senator FULBRIGHT. What percent do the largest five companies produce in Peru?

Mr. DUNCAN. I could make a quick calculation for you. I presume they produce about 60 some odd, 65 percent.

Senator DOUGLAS. If I may volunteer, my records seem to show that the five largest mills produce approximately 73 percent.

Mr. DUNCAN. I think you are probably right. I was just working off the carpet.

Senator McCARTHY. Produce 73 percent of all the sugar produced in Peru?

Mr. DUNCAN. That is right, sir.

Senator McCARTHY. What percentage do the two or three largest companies produce, that is, export?

Mr. DUNCAN. The exports are rotated. In other words, there is a local market of approximately 250,000 tons, and that is divided up among all the producers, so each one exports the same proportion.

Senator McCARTHY. I see.

Mr. DUNCAN. Either in the world market or the United States.

Senator McCARTHY. What about wages and remuneration of workers? I heard your testimony on your company.

Is this pretty well standard for the entire country or is your record better than most of the other sugar-producing companies or individuals in Peru?

Mr. DUNCAN. As I told Senator Douglas, wages in our company are very close to the other large mills, the Gildemeister, which is located in the same valley with us, and since we have unions, very strong unions, they work together, so I would say we are quite typical of wages.

Senator McCARTHY. You say you are not quite typical?

Mr. DUNCAN. No, we are typical. Our wages are quite typical.

Senator McCARTHY. These two companies are leaders?

Mr. DUNCAN. That is right.

Senator McCARTHY. What would this amount to, 50 percent of all production?

Mr. DUNCAN. Forty-two percent, as we calculate it.

Senator McCARTHY. What about the rest of the producers?

Mr. DUNCAN. I think there are all variations. Some of the smaller producers, the small farmers which do not have their own mills, naturally pay a great deal less than the large industrialized centers.

Senator McCARTHY. You may have given it, but do you have any figures on hourly wages?

Mr. DUNCAN. Yes. I gave some figures to Senator Douglas. I said that our present calculation, all-in wages, social laws, cost of towns and so on, came to approximately \$4.30 per day, working 294 days a year, in other words, a full year.

Senator McCARTHY. A full year covered?

Mr. DUNCAN. Yes, sir.

Senator McCARTHY. I hope I can get this information from some other source. At the time the United States imposed economic sanctions on Cuba there was a rather general protest against this practice from most of the Latin American countries. Do you recall if there is any Latin American country that joined in that protest that is not a sugar-producing country but is not willing to take a share of that quota?

Mr. MOORE. I do not believe there is such a country, Senator.

Senator McCARTHY. No such country. Thank you.

The CHAIRMAN. Thank you very much.

Mr. DUNCAN. Thank you very much.

The CHAIRMAN. The next witness is Mr. J. W. Riddell, Indian Sugar Mills Association.

Take a seat, sir.

STATEMENT OF JAMES W. RIDDELL, COUNSEL, INDIAN SUGAR MILLS ASSOCIATION; ACCOMPANIED BY DEV D. PURI, PRESIDENT, INDIAN SUGAR MILLS ASSOCIATION

Mr. RIDDELL. Mr. Chairman, my name is James W. Riddell. I represent the Indian Sugar Mills Association.

I am accompanied here by Mr. Dev Puri, who is the president of the association, and a member of the Indian Parliament from the State of Punjab.

The Indian people have long been associated with the growing and processing of sugar and, in fact, developed the art of sugar making at least 3,000 years ago, long before Europe was introduced to its taste.

Today the Republic of India is probably the world's largest sugarcane producer, producing around 84 million tons of sugarcane on 5.2 million acres of land. This accounts for about one-third of the world's total acreage of sugarcane.

The cane from this acreage results in an annual sugar production of about 7.5 million tons believed to be the highest in the world. Of this, about 3.6 million tons (raw value) are centrifugal sugar, produced by vacuum pan factories. The rest is "Gur" and "Khandsari" which are indigenous forms of sugar.

Individual landholdings are small, with over 4½ million growers dividing the total acreage under cane. When these growers are taken together with their dependents, it means that over 20 million Indians derive their livelihood directly from the production of sugarcane. In no other country in the world do so many people depend on sugarcane for their livelihoods.

When this number is added to the number of people directly employed by the sugar processing industry, the second largest industry in India, it means that over 21 million Indian people are directly dependent upon the sugar industry for their livelihoods.

But the importance of the sugar industry to the Indian people does not stop with even this large number of individuals, for the whole population of India, that is around 438 million people, are concerned with the welfare of the Indian sugar industry since sugar has a big export potential and can, if encouraged, become an important source of foreign exchange to India.

The principal sugar producing belt of India is comprised of the three States of Punjab, Uttar Pradesh, and Bihar. These States, as you know, share a common boundary with Communist China. The standard of living of these people is quite low by our standards and the methods used by them in the production of cane are, of necessity, far less efficient than those used in other parts of the world.

For example, yields per acre run about 16.24 tons as a national average in India. This low yield is to be compared with Hawaii's 80 tons per acre, Java's 50 tons, Formosa's 30 tons per acre, and Puerto Rico's 25 tons. These people are friendly to the United States—they are certainly not the friends of Communist China—but they need a market for the commodity on which they depend for a living.

Today they find themselves confronted not only with a surplus of sugar in their own country and in the free world, but they find that Cuban sugar which has been exported to the Iron Curtain countries is beginning to invade their own markets. For example, last year China sold 30,000 tons of Cuban sugar to Burma, and Poland last year announced the sale of 40,000 tons of Cuban Sugar to Ceylon.

Any quota granted by the United States to these people would be deeply appreciated.

It is not the purpose of my appearance here to persuade this committee in any respect as to the amount of sugar it should allow to the domestic producers of the United States. I appear here only to advance the plea of India that it be allowed to share in that part of the total U.S. sugar consumption which this committee and the Congress decide should be supplied by foreign producers.

While it is true that the developing country of India needs all of the assistance that it can obtain from the United States—that every bit of economic aid given by the United States to India advances the cause of the United States in its fight for a free world against communism, and that every dollar of U.S. economic help assists in raising the living standard of the Indian people and helps them along the road to progress, I do not pitch my arguments in support of a U.S. sugar quota for India on these grounds alone. Rather, I base my case—the case of India—for a quota upon the sound business proposition that every dollar earned by India through the export of sugar to the United States will be returned to the manufacturers, merchants, and farmers of the United States in trade.

India's 438 million people bring to the citizens of the United States one of the largest and least-developed markets of the world. The people of India need everything—but to purchase the goods and services offered by the businessmen and farmers of the United States, they must have the dollars with which to do business. Few American businessmen today find themselves in the position of doing business with India for rupees.

American businessmen and farmers wish to receive dollars in exchange for their goods and services, but it is impossible for India to do business on this basis if it is not given an opportunity to earn dollars. Sugar is a commodity upon which India is chiefly dependent at the present time to expand her dollar revenues.

The United States needs sugar—India can supply the sugar—India needs the manufactured goods and agricultural commodities from the

citizens of the United States. Indian sugar, if it can be sold in the United States, will supply those dollars.

India's balance of trade with the United States is a most unfavorable one, as is demonstrated by the following figures:

United States-India trade

[In millions of dollars]

Year	Imports from United States	India exports	Net deficit for India
1956.....	267	205	63
1957.....	340	187	153
1958.....	323	162	161
1959.....	390	190	200
1960.....	640	230	410
1961.....	482	254	288

Source: U.S. Department of Commerce.

If India is to continue to trade with the United States then it must be permitted to sell to as well as buy from the United States. If the Congress of the United States grants India a sugar quota, reliable source of dollars will be made available to India and India's purchases, whether of cotton, wheat, locomotives, hydroelectric equipment, machinery, and so forth, will redound to the benefit not only of its own citizens, but to the men and women of the United States involved in the production of these goods and services.

Mr. Chairman and members of the committee, India is now and will continue to be in a position to supply the United States with 1 million tons of sugar per year, assuming that the world continues in peace, and as I have said, if India is permitted to sell to the United States 1 million tons of sugar, or any other commodity, every dollar earned by India in so doing will be spent in the United States.

Under the provisions of H.R. 12154, as passed by the House, India would be accorded a quota of 30,000 tons. Additionally, for the calendar year 1963, 100,000 tons would be authorized for purchase from India.

It is our understanding that this allocation, which is derived from the 1.5 million tons remaining in the Cuban quota, would be allowed on a year-to-year basis if India finds it possible to purchase dollar-for-dollar U.S. agricultural commodities.

While members of the Indian Sugar Mills Association and farmers and citizens of India who rely upon sugar for their living are grateful for the consideration that they have thus received, it is our hope that you will increase the share of the U.S. market to which India is entitled.

Senator DOUGLAS (presiding). Thank you very much, Mr. Riddell.

Mr. RIDDELL. Yes, sir.

Senator DOUGLAS. May I ask if India has received a permanent quota prior to the House bill?

Mr. RIDDELL. No, it has not, sir.

Senator DOUGLAS. But it received a temporary quota under the—

Mr. RIDDELL. That is correct, sir.

Senator DOUGLAS (continuing). Under the 1960 or 1961 act?

Mr. RIDDELL. That is correct, sir.

Senator DOUGLAS. But, as you say, under the House bill it will receive 30,000 tons permanent, 100,000 tons temporary, for a total of 130,000 tons.

Mr. RIDDELL. That is right, sir.

Senator DOUGLAS. Now, the figures which I have produced indicate that the American price paid to foreign producers is approximately \$56 a ton in excess of the world price. This amounts to an annual subsidy of \$7,280,000 a year. Are those figures approximately correct?

Mr. RIDDELL. Senator, under the House bill India would be in a position to earn gross \$16,380,000 in foreign exchange. Net she would be permitted to, by the House bill, earn \$13,482,000.

Now, those dollars would be expended, as you already know, for locomotives manufactured in Illinois, for cotton grown in Arkansas, and for wheat grown in the wheat-producing areas of the United States and for other goods and services purchased in the United States.

Now, you say that there is a subsidy accorded here, and without a doubt examining the problem as a matter of pure economics, that is a fact since if you judge the price which the United States ought to pay on the difference between what it does, in fact, pay and a chaotic market price which is uneconomic to the producer, there is a difference without a doubt. I do not personally feel that the world price today is a fair or economic price.

Senator DOUGLAS. In other words, under the House bill, the United State will be paying to India producers approximately \$7,250,000 a year more than we would pay if we bought at the world market price.

Mr. RIDDELL. Yes; that is true.

Senator DOUGLAS. And you want to have the Indian quota increased from 30,000 permanent and 100,000 temporary to a million tons.

Mr. RIDDELL. I said, Senator, that we could supply that amount of sugar.

Senator DOUGLAS. Well, you say if India is permitted to sell to the United States 1 million tons. Are you asking for a quota of a million tons?

Mr. RIDDELL. Senator, I am in the position of being a beggar here. We would be happy to have every ton that you permit us to sell here.

Senator DOUGLAS. Well, the United States has been very generous toward India.

Mr. RIDDELL. I beg your pardon?

Senator DOUGLAS. The United States has been very generous toward India. I have brought down upon my head the ire of the newspapers in Illinois many times for voting for aid to India. We want to strengthen India.

Now, how much do you think we should strengthen you by?

Mr. RIDDELL. Well, Senator, this is a matter, as I said before, of pure business. This is one of the things that India can sell, if she is given an opportunity to sell. Every dollar that you let her earn, she will spend here. This is an opportunity for India to stand up and sell.

Senator DOUGLAS. When you say "it is our hope that you will increase the share of the U.S. market to which India is entitled"—

Mr. RIDDELL. And I do, sir.

Senator DOUGLAS. To what share of the U.S. market is India entitled?

Mr. RIDDELL. Sir, that is for you to determine.

Senator DOUGLAS. But it should be more than 130,000 tons.

Mr. RIDDELL. I would hope that that would be the case, sir.

Senator DOUGLAS. 200,000 tons—would you reject that?

Mr. RIDDELL. Not at all.

Senator DOUGLAS. Would you reject 300,000 tons?

Mr. RIDDELL. Not at all.

Senator DOUGLAS. 400,000 tons?

Mr. RIDDELL. Senator, I said that we could sell up to a million tons of sugar.

Senator DOUGLAS. You would accept a million tons?

Mr. RIDDELL. Yes.

Senator DOUGLAS. Are you aware that that would be a subsidy which the American taxpayers would pay to the Indian sugar producers of approximately \$56 million a year?

Mr. RIDDELL. We have gone through the mathematics of it. I think it would be a fair price.

Senator DOUGLAS. No; it is simple arithmetic—\$56 million a year.

Mr. RIDDELL. I am aware of it.

Senator DOUGLAS. For 5 years—or \$280 million?

Mr. RIDDELL. Correct.

Senator DOUGLAS. Well, you may remember that Warren Hastings, when he came back from India, and was put on trial, said he was astonished at his own moderation. I am astonished at the moderation of the representatives of India, who only want \$280 million.

Now, is India a member of the Commonwealth Sugar Agreement?

Mr. RIDDELL. No; she is not.

Senator DOUGLAS. You sell your sugar in the open market?

Mr. RIDDELL. Yes.

Senator DOUGLAS. You have a surplus in sugar—you produce more sugar than is used domestically?

Mr. RIDDELL. Yes; we do, sir.

Senator DOUGLAS. Well, if you had that surplus, would you not be pleased to sell it to us at the world price?

Mr. RIDDELL. Senator, India is in the position where she is going to have to do anything she can to earn dollars. And it is true—if the United States, by the action of this committee, and of the Congress, is going to purchase its sugar at the world price, then India will be here attempting to sell what it can.

Senator DOUGLAS. You are now selling at the world price, are you not?

Mr. RIDDELL. Yes; that is correct.

Senator DOUGLAS. Yes. Well, then, if we were to buy from you at the world price, we would be helping you, would we not?

Mr. RIDDELL. We are selling in our own area, Senator, in Asia, in southeast Asia at the price being fixed by dumped, secondhand Cubas, that are being taken through Communist China, and through Communist Poland, and dumped into the Indian-Asian market. In other

words, we are selling at the market that is being fixed by the Communist. And the market price which I understand we will be selling in the United States, under the global quota, too, will be fixed by dumped, secondhand Cubas, which are taken through Communist countries, and then dumped on the market.

Senator DOUGLAS. Has India protested at this treatment?

Mr. RIDDELL. I do not know. I do not sit here representing the Government of India. However, I will be glad to inquire and place the information in the record if the Senator desires.

Senator DOUGLAS. Well, Mr. Riddell—the Senator from Arkansas and the Senator from Kentucky have asked questions about fees.

May I ask what the fees of your law firm are for the Indian sugar producers?

Mr. RIDDELL. Yes, sir. They are on file with the Justice Department. I negotiated the agreement with Mr. Puri. I am in a position to answer that.

My firm would be paid at the rate of \$33,000 per year for 3 years.

Senator DOUGLAS. Is that contingent on quota?

Mr. RIDDELL. No; it is not, nor tonnage, nor any other contingency.

Senator FULBRIGHT. Will the Senator yield?

Will it be paid that if the House bill does not pass?

Mr. RIDDELL. If the House bill does not pass, the agreement which I have here, Senator—I would be happy to read it, if you like.

Senator FULBRIGHT. I know the agreement. You have filed it, have you not, with the Department of Justice?

Mr. RIDDELL. Yes, sir.

We mutually agree that at the end of the first year the India Sugar Mills Association would have the right to terminate the agreement. That was a provision that we added to the agreement, not that our clients insisted upon.

Senator FULBRIGHT. What I mean is, if the House bill is passed, you will get \$99,000, plus \$15,000 in expenses. If the House bill does not pass, you will get \$50,000 and \$5,000 expenses. Is that correct?

Mr. RIDDELL. No; that is not correct. And the expenses are what we call vouchable expenses. If they are not incurred on behalf of the India Sugar Mills Association, we do not draw them, they are not a part of our fee.

Senator FULBRIGHT. Wouldn't you call that at least semicontingent?

Mr. RIDDELL. No, sir; I do not.

Senator FULBRIGHT. It is contingent upon the passage of the House bill, is it not?

Mr. RIDDELL. No; it is not dependent upon the passage of the House bill. It is dependent upon—if there is any contingency at all, it is dependent upon the desire of India—the India Sugar Mills to continue to employ my firm.

Senator FULBRIGHT. Is this not correct—from your own statement, and I quote:

If the Sugar Act Amendment of 1962 extends the Sugar Act of 1948, as amended, for a period of 3 years or longer, then \$33,000 per year, but not exceeding \$99,000, together with expenses—

Mr. RIDDELL. I see, Senator.

Senator FULBRIGHT. If that bill does not pass, is not extended 3 years, you only get \$50,000, do you not?

Mr. RIDDELL. I have been using the term "contingent" in that usual and normal sense of a lawyer, as a term of art.

There are conditions in the language of the agreement. I just read one of them.

Senator FULBRIGHT. Well, I took it from your own statement.

Mr. RIDDELL. I do not regard the employment of my firm as on a contingent basis in any respect, nor do my clients.

Senator FULBRIGHT. No. It is contingent upon your success before this committee of the Congress. That is the way I use the word "contingent." I did not mean—well, I apologize. I just wanted to clarify this.

Senator DOUGLAS. Do I understand—

Mr. RIDDELL. As I say, Senator Fulbright, I have the agreement with me. I would be glad to put it in the record.

Senator DOUGLAS. Do I understand the situation that you have an outright fee of \$50,000 plus \$5,000 for expenses, even though no quota is received?

Mr. RIDDELL. That is correct, sir.

Senator DOUGLAS. And that you get \$33,000 a year for 3 years if India gets a quota which will operate for 3 years or longer?

Mr. RIDDELL. That's correct, sir.

Senator DOUGLAS. Or a total of \$99,000?

Mr. RIDDELL. That is right.

Senator DOUGLAS. You get \$15,000 in addition, for expenses?

Mr. RIDDELL. If necessary—if amounts are expended.

Senator DOUGLAS. Now, is that \$15,000 a year or \$15,000 total?

Mr. RIDDELL. Total.

Senator DOUGLAS. Thank you. I have no further questions.

Senator MORTON. How far is it from the port of exit in India to the port of entry, the nearest port of entry in this country, for sugar?

Mr. RIDDELL. Generally speaking, about 35 days. The statute miles, sir, I do not have the information. I will supply it.

Senator MORTON. That's all right.

Mr. RIDDELL. It takes, as I said before, just as long for a ton of India sugar to get here as it does for a bale of our cotton to get over there.

Senator MORTON. Yes. I yield to the Senator from Arkansas.

Senator FULBRIGHT. I have just one last question. When did you make this contract to represent the Indians?

Mr. RIDDELL. We formalized the agreement on May 21, 1962.

Senator FULBRIGHT. It was made, then, solely for the purpose of influencing this particular bill, was it not?

Mr. RIDDELL. I do not so state at all, because it is not the fact. We have agreed to represent our client in this period, during this period, to do whatsoever is required in their interests.

Senator MORTON. You've got something on me—you are a lot younger than I am. So you do not remember the price of sugar in World War I. But as a student of this problem, why did we have sugar at 30 cents a pound in World War I, and why did we have to ration sugar in World War II?

Mr. RIDDELL. Because the demand for the product in the United States exceeded all of its possible sources of supply. There just simply was not the sugar. There will not again, in my view, Senator, be sugar available to the United States if the countries who supply it have to

enter into a sort of maritime footrace with each other to get a boatload of sugar into the United States.

Senator MORTON. Is our high price in World War I and our shortage in World War II—did that come about because there was a lack of sugar in the world?

Mr. RIDDELL. Senator, as you pointed out, I was not around in those days. I am drawing upon memory of things that I have read. As I understand, there was sugar in the world. It just could not be gotten here. Ships were hauling far more important things.

But if I also remember, Senator, after years of starvation prices to the growers, many canegrowers became discouraged and they decided that "We won't plant a crop for which we cannot make a living wage," and they ceased to plant it. And the price went back up again. And that may well happen again.

I do not know, Senator. I am not an economist; I am a lawyer. As most lawyers, I take my case where I find it and I gather what information I find useful to me, and I brief my opponent's case. But here I think that the weight of opinion in the sugar industry, and among the economists most familiar with the field, is that if a commodity cannot be sold at a reasonable price in a given period of time, that production of the crop will cease.

Now, if the United States wishes to make demands on the free world's sugar-producing countries—we have a preferential market because we have a preferential price. And countries are willing to make the sugar and hold it for the United States, to get that premium. I am not sure they are going to be any more willing to do that with sugar than they have been with tin or copper or any other commodity.

Senator MORTON. Well, I am neither a lawyer nor an economist. I have one son who is a lawyer and another one who is an economist. I do not think much of either one's opinion, frankly.

I think you will find, however, the difficulties that we had in sugar in the two World Wars: First, price in World War I and second—price and supply—and second, supply and the rationing restrictions in World War II came about not because there was a lot of sugar in the world, not because there were not countries in the world that had sugar, friendly countries who wanted to sell it to us, but we just could not get it here.

I ran the milk run—they called it the milk run—it ran from Trinidad to Hampton Roads. It was a tough run in 1942—convoying broken-down freighters that could not do more than about 10 knots, and we had to fill them with cobalt and things we just had to have. We lost a lot of shiploads of sugar to submarines in the war.

My point is this: Why are we—and I certainly appreciate the good case you are making for India, but my point is this: If we are going to have to set basic quota offshore, can't we set it somewhere closer to home? It is bad enough to have to take a ship around Hatteras, but it is a long haul from India.

Mr. RIDDELL. Certainly, Senator, that would be a consideration. But as I said before, Senator, if India's 438 million people are going to buy in the United States, they are going to have to sell here—it is simple economics. No ability to earn dollars, no ability to buy.

Senator MORTON. I cannot agree with you more. And I have voted for and supported programs to help India, and I expect to continue to do so.

But I say let this question of exports, let this question of trade, let this question of aid, stand on its own bottom, and get it out of an agricultural program here in the United States. I do not see how the two relate.

I am sure that the Senator who just left, the distinguished chairman of the Foreign Relations Committee—and India has no better friend in the Senate than Senator Fulbright—

Mr. RIDDELL. We know that, sir.

Senator MORTON. And he shares with me a certain degree of apprehension about this bill, because you are putting Congress right in the middle of your whole foreign policy implementation.

I got a letter here—I will show you how this thing works. It has been stated that the Congress can resist pressures more than the administration, which somewhat amuses me.

Here is a letter. And I do not want to divulge the name because I have not asked him for permission. But it comes from an osteopathic surgeon in Fort Lauderdale, Fla., who writes to me. I haven't got a vote in Florida. I do not guess this man has a patient from Kentucky. But he writes me "Re sugar quota for British Honduras." And he goes into a four-paragraph letter here giving me every reason why we should increase—not take the House bill but increase what is in there for British Honduras. And I suppose I will get one from a dentist in Los Angeles asking us to increase the Indian quota that is already in the House bill.

And you talk about pressures.

This is no place to allocate these quotas. The Congress of the United States is no place.

I have had the high privilege of visiting India. I think it is a wonderful country. I think its agricultural economy, whereas it is somewhat a lot to be desired, but it is coming along, coming along fine. I want to see them get a share of the sugar market. I do not see why, on the world market, they would not get a good share of it. And I do not see why our Secretary of State, our Secretary of Agriculture, our President, would not try to see that they got the fair proportion of this market. But I do not see why we have to write into law something that tells us that we are going to have to rely on India for sugar in case of war—and I disagree with those who say that any next war may be a short war. We have said that about the last two wars.

If they decide not to use the atom bomb, as they did not use poison gas in World War II, it could be a long war, if we ever get into another one.

And why are we setting up a quota, and building the Indian people and their economy, grinding them into this thing, when if a war came we would not any more—we would not bring a pound of sugar from India. Any sensible person knows that.

Mr. RIDDELL. I am afraid, Senator, if we have another World War no one will be bringing sugar from anywhere. But in any event, if there is another Suez or Hungarian crisis which comes along, India

stands willing, ready, and able to supply whatever sugar to the United States that it can sell here.

Senator MORTON. Well, I think you have been very frank. Let me say this. I will be equally frank. There is no disposition on our part, or, I think, on the part of anybody on this committee to take action which would be unfriendly toward India or any of the other of our staunch friends and allies who appeared and will appear on this bill.

But I must say I think everybody is going to be better off, and the world's price of sugar is going to be better off, if we adopt some form of global quota.

Now, then, to be equally frank with you—you have been frank with me—if precedent is carried out, Mr. Cooley will have his way and the House bill will be passed.

Senator DOUGLAS. Senator Williams.

Senator WILLIAMS. Mr. Riddell, you referred to the fact that India was buying substantial quantities of cotton and wheat, and paying cash.

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. Are they paying dollars, at world market price?

Mr. RIDDELL. Yes, sir, Senator for much of it.

I have here an agreement that was negotiated with respect to our last allocation of sugar. India purchased—with the sugar money, from the last 50,000 tons that she could sell in the United States—for cash, 44,000 bales of cotton.

Senator WILLIAMS. And that was paid for with American dollars?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. At the world market price, no discount?

Mr. RIDDELL. That is correct sir.

Senator WILLIAMS. Now, how much other quantities of wheat or cotton has India purchased during the past 12 months, and how was that paid?

Mr. RIDDELL. They purchased very large quantities, sir, under Public Law 480. They also purchased for cash wheat in the amount of—will you excuse me, sir? We believe we purchased 100,000 tons for cash.

Senator WILLIAMS. Of wheat?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. And how much cotton?

Mr. RIDDELL. 44,000 bales that I know of, and I think more—for cash.

Senator WILLIAMS. That is for dollars?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. At the world market price?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. Now, how much did you buy under Public Law 480 last year?

Mr. RIDDELL. I know, Senator, that India negotiated an agreement to purchase 1 million tons of wheat under 480, and that agreement has been proceeding along normally. I do not have it broken down by commodities.

Senator WILLIAMS. Now, on the 1 million tons that you purchased, how did you pay for that?

Mr. RIDDELL. Under Public Law 480.

Senator WILLIAMS. In other words, you paid for it with Indian currency, which would be respent in India, and the American taxpayer would in effect get no dollar return at all from that million tons?

Mr. RIDDELL. That is correct, sir.

Senator WILLIAMS. Now, would you be willing to trade some sugar on the same terms?

Mr. RIDDELL. Sugar for cotton?

Senator WILLIAMS. For some of the 480?

Mr. RIDDELL. If I understand the House bill, the House bill provides that the allocations will not be considered—that is renewed, since they are on a year-to-year basis—unless agricultural commodities are purchased from the United States, dollar for dollar.

Senator WILLIAMS. Now, how much cotton did you get under Public Law 480 last year?

Mr. RIDDELL. I have referred to that we purchased for cash. I do not know—I do not have the figures under Public Law 480 with me. I can supply them for the record.

Senator WILLIAMS. Will you supply—

Mr. RIDDELL. Just a moment, Senator, perhaps I do have something here.

In 1960, 1961, \$40,090,000 worth of cotton were purchased under Public Law 480; \$20,061,000 worth of cotton were purchased for cash.

Senator WILLIAMS. Yes; and on the wheat, it was 1 million tons that you got under Public Law 480, and 100,000 tons you paid for in cash.

Mr. RIDDELL. Yes; the 1 million tons, Senator, is being delivered over a period of 4 years.

Senator WILLIAMS. That is right. But for the record, to keep the record straight, while we refer to the Public Law 480 sales, they are in effect grants.

Mr. RIDDELL. Purchases for rupees.

Senator WILLIAMS. Yes; they are payable in the currency of India. And we do not get those—we only can respent them in your country upon agreed programs.

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. So in effect, when we speak of the sales, I mean India's purchases, there is the million tons of wheat and the \$40,090,000 worth of cotton, are in effect grants.

Mr. RIDDELL. That is correct, sir.

Senator WILLIAMS. Thank you.

Mr. RIDDELL. It comes right back to this point, Senator.

Unless India can develop a market here to earn dollars, her foreign exchange position is reduced to nothing. Unless she can sell for dollars, she cannot buy for dollars.

Senator WILLIAMS. I appreciate that, and have great sympathy for the problem of the dollar shortage. Occasionally some of us get confronted with a dollar shortage here in this country, too, and it may be a situation that we would have to take care of some of that at the same time.

Mr. RIDDELL. Yes, sir.

Senator CARLSON. Mr. Riddell, you made a statement that intrigued me a little, because I have been concerned about the section of the language in the House bill and the report regarding the consideration that must be given or should be given for the purchase of agricultural commodities to countries that we assign quotas.

Is it your understanding that the House bill or the House report—that the language would require that they give real consideration to it, or take that as a part of the quota assignments?

Mr. RIDDELL. I draw my conclusion, sir, from what I understand to be the fact, in conversations with members of the House Agricultural Committee and statements made by those responsible for the bill in the House, wherein it was stated that unless the countries which receive allocations from the reserved Cuban quota, purchased dollar for dollar American agricultural products, they would not receive it again. And this is granted on a year-to-year basis.

In other words, if India does not purchase agricultural commodities for the 100,000 tons allotted to her under the House bill, then when it is reconsidered, if I understand the intent, they would not again be eligible to receive any allocation.

Senator CARLSON. Well, now, your last statement, then, is based on the hearings—not the hearings but on the debate in the House on the bill?

Mr. RIDDELL. Yes.

Senator CARLSON. Which I have not read—and I was interested in.

Mr. RIDDELL. I am unable to state the reasons why the language was not—why this was not in the report—but there were several questions asked of Congressman Poage of Texas, precisely on this point, and there was unanimity of agreement among the committee members in the House responsible for the bill that this was the case.

Senator CARLSON. Well, I did notice that the House did strike out the language in the bill we had last here, which stated specifically that except that special consideration shall be given to countries of the Western Hemisphere, and to those countries purchasing U.S. agricultural commodities. And now, that has been stricken out. That is not in the House bill.

I have here the report. While it mentions it, it is not as strong as I would like to see it. It might be that in the debate congressional intent might be carried out. And this section in the report reads this way:

In making the temporary allocations for 1963 to other nations from the Cuban reserve quota, the Congress will review and take into consideration among other factors the purchases that the various sugar-producing countries of agricultural commodities from the United States.

That is one suggestion.

And will given special consideration also to good neighbor countries of the Western Hemisphere.

I am glad to get your statement on it, because I am hoping to make it stronger in the legislation itself.

I thank you very much.

Senator DOUGLAS. Senator Gore.

Senator GORE. No questions.

Senator DOUGLAS. Thank you very much, Mr. Riddell.

Mr. RIDDELL. Thank you, Senator, for the opportunity to appear before the committee.

Senator McCARTHY. Mr. Chairman, may I just ask a question?

Senator DOUGLAS. Yes, indeed.

Senator McCARTHY. Apart from the question of how the quotas are allocated, is it your contention that the so-called premium prices we pay above the world market really establishes only a reasonable price for sugar?

Mr. RIDDELL. Yes, sir.

Senator McCARTHY. The distribution of it is another problem, and the manner in which the premium payment may be used in the recipient country. It is the contention of those familiar with this industry that this added to the world price is not an unusual payment for sugar, as it averages out throughout the entire sugar-producing area of the world.

Mr. RIDDELL. Yes, Senator.

Senator McCARTHY. So we have two problems. This settles one. The second, then, is the question of how the quotas are allocated and along with that, the question of who is to make the allocation.

Mr. RIDDELL. Yes, sir.

Senator McCARTHY. It seems to me there are now at least four or five quotas to consider. There is the global quota, and the Cooley quota, and I have a quota. There may be more around here before we finish.

Mr. RIDDELL. I would appreciate your consideration, Senator.

Senator DOUGLAS. Any other questions?

Thank you very much.

Senator DOUGLAS. The next witness is Mr. Ralph Gardner, representing, as I understand, the Mauritius Chamber of Agriculture.

Mr. Gardner, we welcome you. There was a little byplay a couple of days ago as to the location of Mauritius. The Senator from Oklahoma stated he was not quite certain where it was. I think we finally have located it.

May I ask, is this the island to which the British Government exiled Archbishop Makarios of Cyprus?

Mr. GARDNER. No, sir, not that I know of. Not Mauritius.

Senator DOUGLAS. I rather think it was. Nonetheless—

STATEMENT OF RALPH GARDNER, ON BEHALF OF MAURITIUS CHAMBER OF AGRICULTURE, PORT LOUIS, MAURITIUS

Mr. GARDNER. Mr. Chairman, my statement is a little different from anyone else's, as you will see, because it has developed in these hearings there was a great lack of knowledge of this country, its location, its geography, its history. I am not going to read that. I am going to speak extemporaneously, but try to cover generally what is in this statement.

I notice the Under Secretary of Agriculture did not know where Mauritius was. The chairman of the Agriculture Committee thought it was in Africa this morning. And that has been a lot of confusion. Even the press has constantly called me. So I'll just take a few minutes to tell you something about it.

My name is Ralph W. Gardner. As a member of the law firm of Gardner, Morrison & Rogers, 1126 Woodward Building, Washington 5, D.C., I represent all the sugar growers of the island of Mauri-

tius and the Mauritius Chamber of Agriculture, Port Louis, Mauritius.

Gentlemen, I must state, and you will notice my testimony before the House Agricultural Committee, that Mauritius, my clients, did not oppose the administration bill. We took no stand at all. I think it probably was the only foreign country that did not oppose the administration bill.

Mauritius is an island situated in the Indian Ocean, which is a very large ocean, as you know. It is the third largest. Actually it is larger than the Atlantic, but the amount of bays, of the Bay of Bengal, and so forth, are not credited to the ocean.

It is 1,600 miles east of Africa. We are in between Africa and India. We are 2,500 miles south of India.

Mauritius is a very small island. As a matter of fact, I expect the counties that each member of this committee come from are larger than the island of Mauritius.

Mauritius is approximately 10 times the area of the District of Columbia.

We are right proud of its record and what it has done.

It is a very small island. However—and this has not been brought out—Mauritius is the seventh largest exporting country of sugar in the world.

I understand recently, with recent allotments to Peru and Mexico—we are probably ninth now. But we have for 200 years been a strictly sugar country, and we are well known all over the world, except in the Western Hemisphere, apparently.

We have a very large population—650,000 people, with a density of 900 persons per square mile—and except for Nationalist China, no other country in the world has a population density approaching that of Mauritius.

Now, the history is very colorful and interesting, and you can read it on page 2, if you care to.

It is a British possession now. They took it away from France because of its strategic position. It sits in front of the Suez Canal. All traffic in that area goes by it. It is a communications center now. And it is a strategic point.

Incidentally, we have for the last 20 years been moving toward complete independence, and we expect to receive it, an opportunity to vote, within 2 years. So we will be independent of England, if it is so voted.

Our population is comprised of 181,000 Europeans and descendants of Europeans and people of African and mixed origin—427,000 Indians, and 22,500 Chinese. That is rather a mixed up ethnic group. We have lived together, we have worked together, and we get along well together, we go to school together, we are educated together. It has been a very progressive, forward moving nation. And England feels that we deserve complete independence. Of course, at present we are a crown colony.

Although a very small country, Mauritius has had longstanding trade relations with the United States. Unfortunately it has been on a virtually one-way traffic basis—Mauritius importing and the United States exporting. This one-way traffic is not healthy and cannot continue indefinitely.

Prior to World War II, Mauritius imported American goods on a fairly large scale: motor cars and parts, plows, tools, motors, machinery, chemicals, agricultural tractors, lubricating oils, sugar-making machinery, Virginia bright leaf unmanufactured tobacco, and so forth. For a period after the war these imports were somewhat reduced because Mauritius was not a dollar-earning country; however, Mauritius was able to continue the importation of Virginia bright leaf unmanufactured tobacco, agricultural tractors, and sugar machinery on a fairly substantial scale. It had to fight hard battles with the United Kingdom in order to obtain the necessary dollar allocation.

The annual report of the Customs and Excise Department, published August 1960, shows that for the years 1958-59 Mauritius imported about 18,500,000 rupees—about \$4 million—worth of articles from the United States. If you look at the exhibit, if you have time sometime, it gives a list of everything we bought from the United States.

The agricultural products, mostly unmanufactured Virginia bright leaf tobacco, represent about one-tenth of Mauritius' imports from the United States, the total value of which would buy about 20,000 tons of sugar annually.

I might say in the 200 years we have been trading with the United States, the only record we could find of the United States ever purchasing anything was 100 bags of coffee 2 years ago, from Mauritius, and they did not repeat the order this year.

The importation of tobacco increased steadily in recent years following upon the decision of the British American Tobacco Co. (Mauritius), Ltd., and of the Amalgamated Tobacco Corp. (Mauritius) to manufacture, in Mauritius, competing brands made from 100 percent imported leaf tobacco. Imports from America have shown a corresponding increase over the same period.

There can be no doubt that, if Mauritius could obtain an outlet on the American market for its sugar, this would strengthen the trade lines and facilitate the importation into Mauritius of agricultural commodities of all types as well as more chemicals—we really need machinery and cars and trucks and electrical equipment and things of that nature more than we need agricultural commodities. We cannot take wheat because we do not have any manufacturing plants—raw wheat. We could buy some flour. We can buy rice.

Mauritius is an island comparatively isolated in the Indian Ocean. It has no coal, oil, iron, tin, copper, gold, silver, or mineral resources of any kind, being volcanic in origin. The country depends exclusively on agriculture and agricultural industries. No country in all the world is so entirely dependent upon agriculture.

I would like to give you these figures.

Sugar cane is grown on 45.2 percent (208,100 acres) and tea, food-crops, aloe, and tobacco are grown on 3.7 percent. Forest land and natural reserves account for 21.3 percent. Scrub grazing land, meadows, and wasteland account for 17.4 percent. Thus we see that 87.6 percent of all the land is in agriculture, managed forestry, grazing land and some wasteland. It is interesting to note that only 5 percent of the lands in South America are tilled for agricultural purposes and only 24 percent in the United States of America.

As indicated above, 45.2 percent of all the island's area is in sugarcane cultivation. Of this total 52 percent is owned and cultivated by

23 sugar mills. These mills are owned by 21 separate corporations with hundreds of stockholders.

Now, these mills, Mr. Chairman—when France sent about a thousand Frenchmen, the King of France—to colonize this island, which was uninhabited, he took the best farmers he could and they were sent there to do only one thing, grow sugar. And they have done it ever since.

Now, under the Code of Napoleon, which the French people had and still have in Mauritius, the inheritance law fragmented these large estates. Finally, when the competition got so tough as it is now, the families—we had 300 and something mills—every little family had a mill. So we got together and built brandnew mills. We spent \$75 million since World War II—had to borrow a lot of it—but we got the finest machinery, the best equipment. And I do not care what Peru or Fiji says. The statistics show we are the lowest cost producers in the world. We have the most modern and efficient and up-to-date machinery of any country in the world.

The sucrose sugar content extraction—we are in the first three. We are either first, second, or third—it just varies with the seasons. And that has a lot to do with the machinery and equipment and handling.

Sugar cane is the only agricultural commodity that can sustain a country with the world's second highest population density per acre. It is also the only commodity that has been able to resist the cyclones and droughts that periodically occur.

We have had people say this cannot be done—"you are just a one-crop economy, you cannot make it, everybody is going to starve to death." Yet we are still in there fighting and we are right up there at the top.

All attempts made over the last 100 years to diversify the economy have met with no real success, although Mauritius does produce some aloe fiber, tea, maize, potatoes, peanuts, and tobacco for local consumption. There is also a fishing industry which is almost sufficient to meet local requirements.

A small tourist business is now being started in September—and we hope one member of this committee or two—they are usually paid by the Department of Agriculture to attend the international sugar conference to be held in Mauritius, which we think is a great compliment. There will be 44 nations present, which represent 88 percent of the—

Senator DOUGLAS. I notice that you say Mauritius is a very fine tourist center. You think this may have played a part in the choice of Mauritius as a center for this conference?

Mr. GARDNER. Sir, we just told them it was. We are going to let them find out. Very few people have ever been there.

Senator DOUGLAS. I notice that experts love to go to exotic and beautiful places to hold their conferences.

Mr. GARDNER. Mauritius looks a great deal like Jamaica. It is a very exotic and lovely island.

Now, I would like to tell you something about how we finance our country.

Nearly one-fourth of the tax revenue is derived from the 40-percent flat rate on the undistributed profits of corporations (about three-fourths of this tax is borne by the sugar industry). Dividends are taxed in the hands of shareholders at the rates applicable to the in-

dividual holder. These individual income tax rates vary from 10 percent of the first \$1,000 of chargeable income up to 70 percent on all chargeable income in excess of \$10,000. The individual income tax provides about 17 percent of the tax revenue.

Nearly 47 percent of the tax revenue is derived from import and excise duties, which primarily are revenue raising rather than protective in nature.

In May 1961 the legislative council imposed a 5-percent ad valorem tax on all sugar to be exported from Mauritius for general revenue purposes.

There are other general taxes on motor vehicles, trading licenses, registration fees, lotteries, bets, and so forth.

Articles of mass consumption, such as rice, cereals, and salted and dried fish, carry practically no import duties or tariffs.

It goes without saying that education, health, public assistance, capital improvements, cost of government administration, police, agriculture programs, and so forth, are all dependent on quantity and price of sugar sold each year plus the revenue from tariffs on articles that are purchased with the money received from the sale of sugar.

We have no industries. We have a little bag factory which makes the bags to ship the sugar in. But that is the only industry we have. It is all sugar.

We feel that after 28 years of not being allowed to come to the U.S. Congress or the State Department or anywhere else, we are mighty pleased, Mauritius is mighty pleased, to have an opportunity for the first time to come and have an opportunity to share in the U.S. sugar market. We have been excluded before. We have never sold any sugar, which is the only thing we have to sell.

Mr. Chairman, I would like to call the chairman's attention to something I know you would ask me. It is prepared for you, sir. That is, where our sugar goes.

Most of our sugar goes to the Commonwealth Sugar Agreement quota—5,000 to 6,000 short tons. The International Sugar Agreement quota—now, we do not know whether that is in effect or not now, since Cuba pulled out. We are allotted 44,000 tons. The local consumption was 29,000 short tons.

Now, this is interesting. You see, we get three different prices there.

On local consumption, the Government makes the sugar producers sell the sugar to the consumers of Mauritius at half the world market price.

Senator DOUGLAS. That would be about 1½ cents per pound?

Mr. GARDNER. Just a little over; yes, sir.

Senator DOUGLAS. And under the International Sugar Agreement what is the price?

Mr. GARDNER. That varies. Mr. Myers in his speech in New York recently, said that the purpose of the International Sugar Agreement was to try to keep this sugar floating around at a price of 3.15 to 4 cents a pound.

Senator DOUGLAS. 4 cents a pound?

Mr. GARDNER. I'm quoting Mr. Myers.

Senator DOUGLAS. You mean that is the purpose. But what is the effect? What is the result?

Mr. GARDNER. The result, sir, I cannot give you right now. But I think it has held up pretty well. It is not in effect now, I do not think.

Senator DOUGLAS. And the Commonwealth Sugar Agreement—how much do you get?

Mr. GARDNER. Sir?

Senator DOUGLAS. Under the Commonwealth Sugar Agreement, what is the price you realize?

Mr. GARDNER. About like Fiji, except it costs us more to ship it to the United States.

Senator DOUGLAS. For the sake of the record, what is it?

Mr. GARDNER. I would have to get that. It is all in rupees. I would have to convert that.

Senator DOUGLAS. 4 cents a pound, roughly?

Mr. GARDNER. I would say close to 4 cents a pound, or lower.

Senator DOUGLAS. Or lower?

Mr. GARDNER. Yes, sir.

Senator DOUGLAS. And you want the United States to buy sugar at approximately 6½ cents a pound?

Mr. GARDNER. Sir, I said we came in to ask for anything we could get. This is the first chance we ever had a chance to come in here.

Senator DOUGLAS. Well, if the Cooley bill goes through, what will you get, 6½ cents a pound?

Mr. GARDNER. Yes, sir. We will get the American price, subsidized price.

Senator DOUGLAS. You favor the Cooley bill.

Mr. GARDNER. Well, I must say it would be awfully hard to say I do not favor it.

Senator DOUGLAS. So you favor a program which will require the American consumer to pay 2½ cents more than the members of the British Commonwealth.

Mr. GARDNER. That is about right.

Senator DOUGLAS. Now, just a moment—

Mr. GARDNER. Mr. Chairman, here is what I ask. You read my testimony. I said if you are going to the Agricultural Committee, if you are going to assign quotas to all these countries, inside and outside the Western Hemisphere, then I think you ought to recognize the country that has been in business over 200 years—and some of these people, you know, have just sprung up over night. And this is our only livelihood. We are the seventh largest producer in the world. I thought we ought to have a chance to be heard and get a share of the market.

Senator DOUGLAS. Well, Mr. Gardner, if we scatter our largesse over the world, I am sure some of it should light on the beautiful tourist island of Mauritius. But the question is whether we should scatter this largesse as widely as you seem to favor. What I am asking is, why should we be asked to assume higher prices than the noble British Commonwealth is willing to pay?

Mr. GARDNER. Well, we would just like to be treated like the rest of the folks are being treated.

Senator DOUGLAS. You what?

Mr. GARDNER. We would like to be treated like the rest of the people are being treated.

Senator DOUGLAS. You mean if we give improper favors to others, you want to be in on the impropriety; is that correct?

Mr. GARDNER. Well, I would not think you would do anything improper, sir.

Senator GORE. Mr. Chairman, this gentleman's father was a distinguished diplomat. I think he is a worthy son of a great father.

Senator DOUGLAS. Of course, you are aware, Mr. Gardner, that with your 10,000 permanent and 100,000 temporary, it gives you 110,000 under the House bill, whereas formerly you had nothing.

Mr. GARDNER. That is right.

Senator DOUGLAS. We are not only buying the sugar from you at world prices, but at \$56 a ton more than world prices. Therefore under the Cooley bill we would be paying you \$6,160,000 a year more than world prices for 5 years.

Mr. GARDNER. Yes, sir. We are mighty well pleased with it.

Senator DOUGLAS. The individual consumers in the United States will bear that burden.

Mr. GARDNER. You wouldn't want to treat us any different, though, from the rest of the countries, would you?

Senator DOUGLAS. Well, I must say that as each country comes in, the case against the Cooley bill strengthens.

Mr. Gardner, the others have asked questions about fees. Would you be willing to state for the record your fees?

Mr. GARDNER. Yes, sir; mine have been paid from all over the country.

Senator DOUGLAS. I read the paper, but I do not always believe the paper.

Mr. GARDNER. Everybody seemed to be interested in the little island of Mauritius. They had never heard of it before. They wrote some rather clever and interesting stories about it. And they naturally wanted to know about the lawyer. This is a public record. We have a contract which we signed last July, after you had already passed the extension. Mauritius had someone here as a representative—someone in the British Embassy. The Western Hemisphere thing then was apparently paramount.

Senator DOUGLAS. That is, the British Embassy was unsuccessful in getting Mauritius in the 1961 act, is that right?

Mr. GARDNER. Someone was interested there, or maybe someone from Mauritius.

Senator DOUGLAS. In any event, the British Embassy was unsuccessful last year.

Mr. GARDNER. We were contacted in July and signed the contract—I don't know exactly—probably around July 4.

Senator DOUGLAS. What does this contract provide?

Mr. GARDNER. I have worked pretty hard trying to get something for them, too.

The price is \$12,000 a year, and we have been paid in advance for the first year and for the second year, and we have already spent the money.

Senator DOUGLAS. \$12,000 a year for how many years?

Mr. GARDNER. Actually, Senator, it is 18 months. We are on the basis of \$12,000 a year. We have no contingency.

Senator DOUGLAS. Now this is a 5-year law.

Mr. GARDNER. No, sir. Our contract runs to December 31 of this year.

Senator DOUGLAS. It will not be renewed?

Mr. GARDNER. I don't know.

Senator DOUGLAS. Is there a gentleman's understanding that it will be renewed? It is possible that it may be renewed?

Mr. GARDNER. Sir, we have not discussed it, but it has gone through my mind; yes, sir.

Senator DOUGLAS. It has gone through my mind, too.

If it were to be renewed for the full life of this bill, it would be \$12,000 multiplied by five, or to be more precise 12,000 multiplied by $4\frac{1}{2}$ or a total of somewhere between \$54,000 and \$60,000. Is that correct?

Mr. GARDNER. Well, sir, I could not project on something that has not happened or has not been discussed.

Senator DOUGLAS. I said if it were to be renewed.

Mr. GARDNER. Oh, yes; yes, sir.

Senator DOUGLAS. And evidently the island of Mauritius felt that it would be better represented by you than by the ordinary diplomatic channels through the British Embassy.

Mr. GARDNER. Mauritius was referred to us by an international law firm that we have had dealings with for over 20 years.

Senator DOUGLAS. Are they getting a finder's fee?

Mr. GARDNER. Sir?

Senator DOUGLAS. Is this other firm getting a finder's fee?

Mr. GARDNER. No, sir.

Senator DOUGLAS. Not from you?

Mr. GARDNER. No, sir; not from anyone; no, sir.

Senator DOUGLAS. Well, you are a very charming gentleman, like your father.

Mr. GARDNER. Let me mention one thing I had in our statement.

Mauritius, outside of being friendly and a sugar country, we are now—we have cooperated for the last 2 years with our Air Force in the missile recovery program. It is not entirely without danger to our people. The ICBM missile is shipped from Cape Canaveral. The airfields have been open to the United States in the recovery program. We have cooperated.

If you will look at the two astronauts, you will notice that the tracking ship is based off Mauritius. And we have cooperated fully to the best of our ability with the American Government as an ally and as a friend.

Senator MORTON. Mr. Gardner, first let me say that I have the highest feelings of friendship toward the island of Mauritius, and I hope that if there is an international sugar meeting there, and if I am successful in my endeavors in Kentucky this fall, that I might be invited to go along on this trip. It sounds like an interesting possibility.

Senator DOUGLAS. May I say I have no such hopes.

Senator MORTON. For me?

Senator DOUGLAS. No. For myself. I do not think I will be invited to an international conference.

Senator MORTON. You say that Mauritius was the seventh largest exporter of sugar in the world. Where did that sugar go?

Mr. GARDNER. Well, my statement shows pretty well. It goes to the commonwealth countries. Actually, we are the largest supplier of

sugar to the United Kingdom, which is England, Scotland, Northern Ireland, and Wales. We have been for many, many years. In a way we are a small cubit to England—the United Kingdom.

We have great experience in shipping in wartime and peacetime to the North American Continent. We are long ways away from New York. We are about 12,000 miles away. We are 7,000 miles from London. But we have gotten through. And we have fulfilled our contract. We are a stable supplier. The world recognizes us as such.

I do not think the British and Canadians would have dealt with us all these years unless they thought we were doing a good job.

Senator MORTON. I recognize that. But you talk about 200 years ago that the French sent out some farmers to colonize that island because it was a good potential source of sugar. You have, according to your testimony, built a very efficient industry. You even say you do it better than they do in the Fiji Islands.

Mr. GARDNER. Yes, sir.

Senator MORTON. Why are you coming here? You have been doing this for years; 200 years. Why are you coming here trying to—

Mr. GARDNER. We have about 150,000 tons of sugar that we have to carry over after selling 25,000 to 50,000 tons in the world market, and the world market has been low and is low.

Senator MORTON. Wasn't this really a result, Mr. Gardner, of the fact that there is a disruption in the world sugar market because Cuba went Communist, and we had to quit taking the Cuban sugar?

Mr. GARDNER. Senator, nothing would please us better than for Cuba to come back in and start supplying sugar. It would stabilize our market. We have been getting along all right. But we are certainly upset now on our excess sugar which we cannot sell to the preferential countries.

Senator MORTON. The sugar that you have during this 200-year period been supplying to the United Kingdom or Canada or whatnot is now to a degree, is it not, being displaced by Cuban sugar being refined in Poland, let's say, and then going into the United Kingdom?

Mr. GARDNER. I have heard that, and I have reason to believe that there is serious competition to our sugar. But since we have been there so long, in thick and thin, we believe that England, the United Kingdom will continue to buy from us at a decent price, because we have played ball with them in wartime and peace.

Senator MORTON. That's all.

Senator DOUGLAS. Any other questions?

Senator CARLSON. Mr. Chairman, I do not want Mr. Gardner to leave the witness stand without my stating that during my service in the House of Representatives I had the pleasure and privilege of becoming well acquainted with his father and his mother. His father was a perfect gentleman. He served as Assistant Secretary of the Treasury, as I remember it, for a period. I had many contacts with him.

Senator MORTON. Under Secretary.

Senator CARLSON. Under Secretary—I remember him very well.

Senator GORE. Mr. Gardner, how many tycoons are there in the sugar production on Mauritius?

Mr. GARDNER. We do not have any, sir. Our property is divided up. I can just give you how it is pretty quickly—in just a second.

I know it is something you have been interested in. I should have brought it out.

Seventeen thousand eight hundred and twenty-nine owners of sugar property under 10 acres—who own under 10 acres. There are 903 cultivators who own between 10 and 99 acres. There are 73 who own 100 to 199 acres. There are 37 who own 200 to 249 acres. There are nine who own 500-and-over acres. There are 2,718 farmers who are tenant farmers.

Senator GORE. Well, what kind of combine—or is there a shipping combine that handles the transportation?

Mr. GARDNER. We have a single—the Mauritius Chamber of Commerce—this is by law. All sugar produced on the island has to go to certain—a certain mill. I mean if you are in that vicinity. Then the mill has to turn it over to the Mauritius Chamber of Commerce, or the sugar syndicate, as some people call it. Then we sell that sugar all year long, and each price is different. At the end of the year we pro rate it so that every person, little and big, gets the same price for the sugar—whether it is world market or not.

Senator GORE. That sounds like a cooperative. Is the chamber of commerce a profit organization?

Mr. GARDNER. It is a quasi-legislative—not quasi-legislative. It has been set up by law.

Senator GORE. You mean this is a public body?

Mr. GARDNER. This is a quasi-public body. The chamber pays its own expenses. But the law has given them these powers, so they can have the orderly sale of sugar.

Senator GORE. I must say that, like some of my colleagues, I have learned a little geography during the course of this hearing.

I thank you for contributing to my knowledge.

Senator DOUGLAS. Senator McCarthy.

Senator McCARTHY. No, I think not—except to note I think the witness has covered all the possible arguments, from the danger of communism to the need to support underdeveloped countries, to improvement of relationships within the NATO organization. I commend him for leaving no space uncovered.

(The full statement of Mr. Gardner follows:)

STATEMENT OF RALPH W. GARDNER, ON LEGISLATION TO AMEND AND EXTEND THE SUGAR ACT OF 1948, AS AMENDED

My name is Ralph W. Gardner. As a member of the law firm of Gardner, Morrison & Rogers, 1128 Woodward Building, Washington, D.C., I represent all the sugar growers of the island of Mauritius and the Mauritius Chamber of Agriculture, Port Louis, Mauritius.

I wish to express my appreciation to the chairman and members of this committee for the opportunity of appearing before you.

First, I wish to state that I will not attempt to suggest to this committee how Congress shall allocate the United States of America's estimated sugar needs between the domestic and foreign producers; however, I would like to confine my statement to H.R. 12154 insofar as it relates to the allocation of quotas to foreign suppliers, and briefly present the reasons in favor of Mauritius supplying sugar to the United States.

I. GEOGRAPHY

Mauritius is an island situated in the Indian Ocean, some 1,600 miles east of Africa and 550 miles east of Madagascar. It is approximately 2,500 miles south of India.

Mauritius is 39 miles long and 20 miles wide. It measures 720 square miles or 460,800 acres and is about the size of Rhode Island, the smallest State in the

Unlon. Mauritius, with a population of over 650,000 inhabitants, has a density of 900 persons per square mile. Except for Taiwan (Nationalist China) no other country in the world has a population density approaching that of Mauritius.¹

II. HISTORY

The island was known to Arab sailors during the Middle Ages, and was on maps of 1500 with an Arabic name. It was discovered by Portuguese sailors in the early part of the 16th century. The Dutch took possession of it in 1598 and renamed it Mauritius, after Prince Maurice of Nassau, and actually occupied it between 1638 and 1710. It was from Mauritius that Tasman in 1642 set out on his most important voyage of discovery of New Zealand. It was during the Dutch period that the "dodo," a bird peculiar to Mauritius, became extinct.

In 1715 the island was taken over by the French who settled there and colonized it. They renamed the island "Ile de France." The French around 1722 brought in African slaves to work in the sugar fields. The island remained in French hands until 1810 when, on account of its strategic position (called "The Star and Key of the Indian Ocean"), it was seized by the British. In 1814 it was formally ceded to Britain by the Treaty of Paris and the island was renamed "Mauritius." However, the French settlers were permitted to retain their language and religion. As a result, French and English both are still spoken on the island. English is used for official purposes. The most commonly heard language, however, is Creole, a colorful language mainly derived from French.

After the British took control of Mauritius, the island flourished due to the ever increasing export of sugar to England. In 1833 the slaves were freed. This raised problems on the sugar plantations as the newly freed slaves were reluctant to work for their former masters. The planters responded by importing indentured laborers from India—over 450,000 of them between 1836 and 1904—of whom about 315,000 remained to settle in Mauritius.

As a result of the heavy immigration of the 19th century the ethnic composition of the population changed dramatically. The 1959 population of approximately 631,000 comprised about 181,500 "Europeans and descendants of Europeans, and people of African and mixed origin," 427,000 Indians and 22,500 Chinese.

Since 1810 Mauritius has remained under the British crown; however, she is now on her way to complete self-rule and independence.

III. GOVERNMENT

Mauritius is a crown colony of the British Empire, but it has progressed rapidly since 1947 from the crown-colony status to representative and largely responsible government. At present, it is administered by a Council of Ministers appointed by the Governor from the Legislative Council which is composed of 3 officials, 12 nominated members and 40 members elected by the people on the basis of universal adult suffrage.

IV. UNITED STATES AND TRADE WITH MAURITIUS

Although a very small country, Mauritius has had longstanding trade relations with the United States. Unfortunately it has been on a virtually one-way traffic basis: Mauritius importing and the United States exporting. This one-way traffic is not healthy and cannot continue indefinitely.

Prior to World War II, Mauritius imported American goods on a fairly large scale: motorcars and parts, plows, tools, motors, machinery, chemicals, agricultural tractors, lubricating oils, sugar-making machinery, "Virginia Bright Leaf" unmanufactured tobacco, etc. For a period after the war these imports were somewhat reduced because Mauritius was not a dollar-earning country; however, Mauritius was able to continue the importation of "Virginia Bright Leaf" unmanufactured tobacco, agricultural tractors and sugar machinery on a fairly substantial scale. It had to fight hard battles with the United Kingdom in order to obtain the necessary dollar allocation.

The annual report of the Customs and Excise Department, published August 1960, shows that for the years 1958-59 Mauritius imported about 18,500,000 rupees (about \$4 million) worth of articles from the United States (see complete list of commodities and articles—exhibit A). Agricultural products, mostly unmanufactured "Virginia Bright Leaf Tobacco," represent about one-

¹ United Nations, Demographic Yearbook, 1958.

tenth of Mauritius' imports from the United States, the total value of which would buy about 20,000 tons of sugar annually.

The importation of tobacco increased steadily in recent years following upon the decision of the British American Tobacco Co. (Mauritius) Ltd. and of the Amalgamated Tobacco Corp. (Mauritius) to manufacture, in Mauritius, competing brands made from 100 percent imported leaf tobacco. Imports from America have shown a corresponding increase over the same period.

There can be no doubt that, if Mauritius could obtain an outlet on the American market for its sugar, this would strengthen the trade lines and facilitate the importation into Mauritius of agricultural commodities of all types as well as more chemicals, drugs, food, cigarettes, lubricating oils, etc. All these and hundreds of other articles are now being imported on a relatively small scale, but the scope of increasing imports from America is great indeed.

V. ECONOMIC POSITION

Mauritius is an island comparatively isolated in the Indian Ocean. It has no coal, oil, iron, tin, copper, gold, silver, or mineral resources of any kind, being volcanic in origin. The country depends exclusively on agriculture and agricultural industries. No country in all the world is so entirely dependent upon agriculture.¹

Mauritius is essentially—in fact, almost exclusively—a sugar-producing country.² Sugar accounts for 98 percent of its entire export trade. It is the largest single colonial sugar exporter of the whole British Commonwealth, and, in fact, it is now the seventh largest world exporter of sugar.

Sugarcane is the only agricultural commodity that can sustain a country with the world's second highest population density per acre. It is also the only commodity that has been able to resist the cyclones and droughts that periodically occur.

All attempts made over the last 100 years to diversify the economy have met with no real success, although Mauritius does produce some aloe fiber, tea, maize, potatoes, peanuts, and tobacco for local consumption. There is also a fishing industry which is almost sufficient to meet local requirements.

A small tourist business is now being started. Mauritius is a very beautiful island. The climate is maritime and there are exceptional facilities for swimming on sandy beaches, yachting, fishing, sightseeing, etc. New hotel accommodations are being built to accommodate the hundreds of participants in the International Sugar Conference to be held in Mauritius in mid-1962.

The United Kingdom (which consists of England, Scotland, Wales, and Northern Ireland) takes some four-fifths of Mauritius' sugar exports, but supplies only a little over one-third of its imports; other countries of the British Commonwealth (mainly Canada) take about 17 percent of Mauritius' sugar, and this group of Commonwealth countries (mainly Australia, Burma, India, and the Union of South Africa) supply about one-third of her imports. Non-Commonwealth countries take less than 5 percent of Mauritius' exports but supply 25 to 30 percent of its imports—most of these coming from the United States, France, West Germany, Iran, Japan, and Thailand.

VI. PUBLIC FINANCE

Nearly one-fourth of the tax revenue is derived from the 40-percent flat rate on the undistributed profits of corporations (about three-fourths of this tax is borne by the sugar industry). Dividends are taxed in the hands of shareholders at the rates applicable to the individual holder. These individual income

¹ Mauritius measures 460,800 acres (including about 3,000 acres of inland water bodies). Sugarcane is grown on 45.2 percent (208,100 acres) and tea, foodcrops, aloe, and tobacco are grown on 8.7 percent. Forest land and natural reserves account for 21.3 percent. Scrub grazing land, meadows, and wasteland account for 17.4 percent. Thus we see that 87.6 percent of all the land is in agriculture, managed forestry, grazing land, and some wasteland. It is interesting to note that only 5 percent of the lands in South America are tilled for agricultural purposes and only 24 percent in the United States of America.

² As indicated above, 45.2 percent of all the island's area is in sugarcane cultivation. Of this total 52 percent is owned and cultivated by 23 sugar mills. These mills are owned by 21 separate corporations with hundreds of stockholders. Only two sugar mills are owned by nonlocal interests (English owned).

Forty-four percent of all the sugar land is owned by freehold planters, whose holdings mainly are under 10 acres of land (17,829 owners). There are 903 cultivators who own between 10 and 99 acres. There are 78 who own 100 to 199 acres. There are 87 who own 200 to 499 acres and 9 who own 500 and over acres. Tenant farmers rent and cultivate 4 percent of the remaining land. There are 2,718 farmers in this category.

tax rates vary from 10 percent of the first \$1,000 of chargeable income up to 70 percent on all chargeable income in excess of \$10,000. The individual income tax provides about 17 percent of the tax revenue.

Nearly 47 percent of the tax revenue is derived from import and excise duties, which primarily are revenue raising rather than protective in nature.

In May 1961 the Legislative Council imposed a 5-percent ad valorem tax on all sugar to be exported from Mauritius for general revenue purposes.

There are other general taxes on motor vehicles, trading licenses, registration fees, lotteries, bets, etc.

Articles of mass consumption, such as rice, cereals, and salted and dried fish, carry practically no import duties or tariffs.

It goes without saying that education, health, public assistance, capital improvements, cost of government administration, police, agriculture programs, etc., are all dependent on the quantity and price of sugar sold each year plus the revenue from tariffs on articles that are purchased with the money received from the sale of sugar.

VII. SUGAR PRODUCTION AND MARKETING

Due to the fact that sugarcane cultivation has been the primary source of life on Mauritius from the mid-18th century until the present day, it is not surprising that Mauritius is one of the most highly efficient sugar producers in the world today. The sugar mills are modern and in terms of extraction-recovery rank near the top among the principal cane sugar producing countries. The entire sugar industry is highly and heavily mechanized. Ever more powerful units are being brought into use. Well-informed persons in the industry are of the opinion that Mauritius could increase output by 150,000 to 200,000 short tons in a very short period by seeing that the small landowners applied adequate and proper amounts of fertilizer to their crops.

Mauritius' total market for its sugar amounts to 599,000 short tons, composed of the following outlets:

	<i>Short tons</i>
1. Commonwealth Sugar Agreement quota.....	528, 000
2. International Sugar Agreement quota.....	44, 000
3. Local consumption.....	29, 000
Total per annum market.....	599, 000

Mauritius is currently producing around 650,000 short tons of sugar; and by proper fertilization it can and needs to increase this amount by another 150,000 to 200,000 short tons in order to sustain its standard of living.

Since there is no scope for increasing local consumption materially, it is clear that, unless additional export outlets can be found for its surplus sugar, Mauritius will be forced to discontinue the production of sugar on the present scale, let alone increase its output. This will have untold consequences on the economic life of the country.

VIII. NATIONAL INCOME

The gross national income per capita rose after World War II until 1953 when it started its decline and it has been declining every year since. The rate of increase in population is the second highest in the world. In the years immediately following World War II the elimination of malaria and massive improvements in sanitation and public health caused a revolution in the balance between births and deaths. The future is truly terrifying because Mauritius is a small island dependent on agriculture (sugar), with a strictly limited amount of land and with an already existing pressure of population on it. The standard of living is low, much lower than the standards of Western Europe and North America. The gross per capita income is about \$225 per year, which is considerably less than found in Latin America.

IX. COMMUNIST THREAT AND STRATEGIC SITUATION

With its overpopulation problem (650,000 inhabitants, which at the present rate of growth will reach the alarming figure of close to 3 million within 50 years), its declining standard of living and its present political emancipation, Mauritius is definitely an easy prey for international communism unless it

receives prompt and adequate support from the West. The best form which such help can take is seeing that there is an outlet for sugar at a remunerative price.

There are signs already of some local politicians turning to Communist China for an outlet for sugar. (There is much discussion in certain groups as to whether or not necessary economic acceleration lies in fact with the East rather than the West.) There can be no doubt that the securing of a sugar quota on the market of the United States would provide the pro-Western leaders of Mauritius with real arguments against those who are trying to turn the masses against the West.

Mauritius is still a valuable strategic base and outpost for Western Powers in the Indian Ocean. Whenever the Suez Canal has been closed, Mauritius has assumed considerable military and naval importance as it is located at the crossing of the sea routes linking Australia, India, and the East Indies with South Africa. Today the airport on Mauritius is used by three international airlines: Air France (service between Paris and Mauritius via Nairobi and Madagascar), Qantas (service between Sydney and Johannesburg via Melbourne, Perth, Cocos Island, and Mauritius), and South African Airways (operating same route as Qantas).

American aircraft are currently using the landing field in their missile recovery operations nearby in the Indian Ocean.

Mauritius is an absolutely essential link on the air route between Australia and South Africa.

X. SUGAR AVAILABLE FOR THE U.S. MARKET

As from the calendar year 1962, Mauritius would be prepared to supply 165,000 short tons annually to the U.S. market out of its current production.

This sugar could be made available at any time of the year and spread over any desired period as long as reasonable notice of requirement was given. Sugar can be loaded and landed at U.S. ports in approximately the same time, after notice, as sugar ordered from Australia. Having been one of the large sugar suppliers for Canada for many years, Mauritius has had great experience in exporting sugar to North America. The sugar can be supplied in bulk or bag.

XI. REASONS IN FAVOR OF MAURITIUS SUPPLYING SUGAR TO THE UNITED STATES

(a) *From the Mauritius viewpoint*

No country in the world has a stronger or even an equal claim to an increased outlet for its sugar, (1) being dependent on sugar alone; (2) facing a most difficult population problem; and (3) having demonstrated its ability to produce more sugar on a competitive basis.

(b) *From the American viewpoint*

(i) Mauritius is now the seventh largest world exporter of sugar, and, if the United States has to go outside the Western Hemisphere for its supplies, it should obtain some of its supplies from a country occupying such an important position in the sugar export world.

(ii) Mauritius has imported goods, especially leaf tobacco, from the United States for more than a century without ever exporting anything to the United States in return; the United States should now avail itself of the opportunity of reciprocating—if only to preserve its export trade with Mauritius, and possibly to increase it.

(iii) Mauritius occupies a strategic position in the Indian Ocean from a communications point of view; it is a vital link on the air route from South Africa to Australia; the grant of a share of the U.S. sugar market would be one way of preserving a friendly outpost at little cost.

(iv) The United States has pledged itself to helping underdeveloped countries; Mauritius is not only a deserving case; it is a typical instance of a country where a timely gesture could be an effective answer to Eastern powers which are now trying to invade the field of political influence in Mauritius. The attainment of independence by Mauritius may not be very far away and it might then become an easy prey to international communism unless it receives adequate help from the West.

(v) Mauritius is a single seller and can supply sugar virtually all the year round in a normal year, which makes for ease of purchase and flow of supplies.

EXHIBIT A

In 1958 and 1959 Mauritius imported from the United States of America the following articles: Bright belt tobacco leaf (one-tenth of entire imports from the United States, the total value of which would buy about 20,000 tons of sugar annually), agricultural tractors, oil lubricants, cereals, cereal flour, candles and confectionery, food preparations, cigarettes, seeds for planting, bulbs and plants, canned fish, preserved fruit, fruit juices, vegetables and soups in cans, lubricating oils, lubricating greases, chemicals of all types, paint and lacquers, mastics, vitamins, antibiotics, pharmaceutical products, vegetable oils, dentifrices, soap, wax and polish, sporting goods, ammunition, fuses and primers, weed killers, disinfectants, glue, casein, gelatin, machine leather belts, rubber tires and tubes, goods of soft and hard rubber, manufactured wood products, paper bags, cardboard boxes, paper and paper board, books, writing paper and envelopes, cotton fabrics, synthetic fabrics and spunglase, lace fabrics, ribbons, embroidery, nylon fishing lines, carpets and rugs of wool, manufactures of asbestos, pipes and rods, glass articles, revolvers, firearms, wire cable, hand tools for agriculture, cutlery, manufactured iron and steel, diesel engines, engine parts, tractor parts, ploughs, overhead irrigation systems, agricultural machinery for preparing the soil, harvesting machinery, agricultural machinery parts, agricultural tractors, accounting and bookkeeping machines, pumps for liquids, road construction machinery, printing machinery, sewing machines, air conditioners and refrigeration equipment, ball bearings, electrical machinery, generators and transformers, electric batteries, bulbs and flashlights, radio and radar apparatus, electronic apparatus, portable electric appliances, electric tools, locomotive parts, passenger cars, car bodies, car parts, aircraft parts, lighting fixtures, metal furniture, handbags, wallets and purses, hose and stockings, outerwear and clothes, handkerchiefs, film, projectors, cameras, surgical and medical instruments, scientific instruments, phonograph records, decorative objects, electric refrigerators, plastic articles, brooms and brushes, playing cards, toys and games, fountain pens, office supplies, and lighters.

Senator CARLSON. Mr. Chairman, before the next witness comes up, the schedule of witnesses was such this morning that the gentleman who is the Washington director of the Great Plains Wheat, Inc., could not appear today, and I would ask unanimous consent that his statement, together with the wheat-sugar memorandum from Brazil be made a part of his remarks.

Senator DOUGLAS. That will be done.
(The material referred to follows:)

STATEMENT OF MARX KOEHNKE, WASHINGTON DIRECTOR, GREAT PLAINS WHEAT, INC.

Mr. Chairman and members of the committee, my name is Marx Koehnke; I am Washington director of Great Plains Wheat, Inc., a market development organization established and supported by wheatgrowers and the wheat commissions of North Dakota, South Dakota, Kansas, Nebraska, and Colorado. I am grateful for the opportunity to appear before you at this time.

Our position and interest in the Sugar Act was presented to the House Agriculture Committee by our president, Clifford R. Hope, former Congressman from the State of Kansas. Mr. Chairman, I would like to have Mr. Hope's statement inserted into the record.

I would also like to state that we believe the domestic sugar producers should be allocated as much of the total domestic market as is practicable. Our organization is supported by over 300,000 wheat producers in the Great Plains area. Many of the farmers that support our organization are engaged in the production of both sugarbeets and wheat, but our interest is primarily that of wheat.

Great Plains Wheat is engaged in development of markets for U.S. wheat in Europe, South America, Africa, and the Middle East, and we cooperate with Western Wheat Associates in a like program in Asia and the Far East. As a cooperator with the U.S. Department of Agriculture under Public Law 480, we have been engaged in creating new markets for U.S. wheat. Our primary interest in the legislation before your committee is with regard to the trade aspects and possibilities that the Sugar Act affords. It is not often that American

agriculture is in a strong bargaining position, however, we feel that the allocation of sugar quotas is the one exception. One of the provisions of the Sugar Act of 1948, as stated in the House of Representatives report on H.R. 12164 is "to permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purpose of expanding international trade and assuring a stable and adequate supply of sugar." This report states further that H.R. 12164 perpetuates the objectives of the Sugar Act by the assigning of a greater portion of the U.S. market to our own domestic beet and cane producers, and by a more equitable and dependable distribution of quotas for the remainder of the market among the producers of friendly nations, principally to the good neighbors of the United States in the Western Hemisphere.

With our loss of agricultural outlets to Cuba, new markets must be established in order to prevent the additional outflow of gold from the United States. During the fiscal year—July 1960 to June 1961, U.S. agricultural imports totaled \$3.642 billion. Our total agricultural cash exports for this same period amounted to \$3.423 billion. The United States, therefore, has a dollar deficit of approximately \$240 million on a cash basis for this period.

For the past 3 years our representatives in South America have been aware of the tremendous potential wheat market in Brazil and other South American countries. The possibilities of additional wheat sales in Brazil offers as great a potential as any other single market.

In working toward increased consumption of wheat through market development in Brazil, we were told that the Government of Brazil was interested in increasing its consumption, but desired a means of paying for the wheat if this was to be accomplished. Since Brazil is the largest sugar producer in the Western Hemisphere, with the exception of Cuba, and since the United States is in the market for sugar, Great Plains Wheat, Inc., made a proposal to the Government of Brazil. And with your permission Mr. Chairman, I would like to insert a copy of the proposal for the record.

This proposal, if implemented, would be one of the largest single cash sales of agricultural commodities in U.S. history. In brief, the Government of Brazil has offered to increase its consumption of wheat by nearly 100 percent in the next 5 years. As a suggested means to accomplish both objectives, a proposal has been submitted through diplomatic channels by the Brazilian Government to spend 67 percent of the dollars generated by such sugar sales to the purchase of additional U.S. agricultural commodities. For the 5-year period the new cash sales to Brazil would represent an increase of about \$250 million. Gentlemen, this figure translated into bushels of wheat would be over 400 million bushels. These sales would utilize the production of more than 3 million acres a year for the next 5 years.

We strongly urge that your committee will, when allocating quotas, give consideration to purchases by the various sugar-producing countries of agricultural commodities in the United States, and give special consideration also to good neighbor countries of the Western Hemisphere. The using of sugar dollars to buy U.S. wheat and other agricultural commodities has the support of the entire U.S. wheat industry.

The House bill does not give any special consideration to Western Hemisphere countries, particularly with regard to the distribution of the 1.5-million-ton Cuban quota. We would commend Congressman Poage on his statement in the House on Monday, when he states that it was the intent of the House Committee on Agriculture to reward those countries that would respond to the granting of sugar quotas by the United States by buying additional U.S. agricultural commodities, and we would recommend that this committee include such language in the Senate bill.

It is not our intent to single out any one country, but Brazil is, to our knowledge, the only country to come forth with a concrete proposal for the purchase of U.S. agricultural commodities with dollars generated from the sale of sugar. We would welcome similar proposals from other countries that receive sugar quotas.

Brazil has been receiving substantial amounts of agricultural commodities under Public Law 480. Public Law 480 is an act "to increase the consumption of U.S. agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes." The economic assistance to developing countries under Public Law 480 is well recognized as an interim assistance program and should, after a period of time, result in a stabilized economy. By providing assistance for this purpose, friendly nations of the

Western Hemisphere will be provided with the means for payment of U.S. agricultural products imported.

Mr. Chairman, I wish to thank you for your attention to my remarks and for the privilege of presenting this statement before the committee.

WHEAT-SUGAR MEMORANDUM FOR BRAZIL

The development of the subject memorandum will be covered under three parts as follows:

- I. Reasonable target for Brazil.
- II. Sources of supply.
- III. Relationship of the proposed program to U.S. sugar quotas.

I. Reasonable target for Brazil

During the decade 1940-50, consumption of wheat in Brazil averaged less than 1,500,000 metric tons. During the 10 years 1950-60, consumption was increased approximately 1 million tons. This increase was made possible by two factors:

1. Production of wheat was increased on the average of about 300,000 tons in the 1950's, and
2. The beginning of the Public Law 480 program provided the basis for additional consumption of wheat.

In the past few years, the national target has been based on 2,400,000 metric tons and wheat is prorated to the various flour mills in Brazil on a historical basis on this quota. There is given below a record of wheat for food in Brazil, 1952-60:

Year	Local	Stocks and Imported	Total	Per capita consumption
	<i>Thousand metric tons</i>	<i>Thousand metric tons</i>	<i>Thousand metric tons</i>	<i>Kilos</i>
1952.....	270	1,216	1,486	27.3
1953.....	290	1,859	2,149	38.5
1954.....	490	1,726	2,216	38.8
1955.....	440	2,085	2,525	43.2
1956.....	600	1,798	2,398	40.1
1957.....	745	1,485	2,230	36.4
1958.....	600	1,435	2,035	32.4
1959.....	250	1,800	2,050	31.9
1960.....	250	1,850	2,100	31.8

Source: Foreign Agricultural Service, U.S. Department of Agriculture.

The table below illustrates sources from which Brazil obtained its requirements of wheat:

[In thousands of metric tons]

	Total Brazil imports	Principal sources				
		Argentina	United States	Uruguay	Russia	Other
5-year average, 1954-58.....	1,500	900	345	141	-----	124
1958.....	1,508	1,005	407	93	-----	-----
1959.....	1,820	1,218	516	-----	-----	83
1960.....	2,033	1,098	728	-----	197	10
1961.....	1,928	121	1,614	-----	193	-----

Source: Foreign Agricultural Service, U.S. Department of Agriculture.

It will be noted in the above table that Argentina supplied between 900,000 to around 1 million tons and was the principal supplier. Argentina has not been able to supply the usual amount in 1961 and are only scheduled to supply 700,000 tons in 1962 with 1 million tons each in 1963 and 1964.

Exports from the United States have increased in order to maintain Brazilian consumption as an offset to the failure of Brazilian producers to maintain production and a drop in imports from Argentina. In fact, production in 1962 of wheat for food is not expected to reach 100,000 tons.

For at least the next few years Brazil must rely principally on imported wheat to satisfy its requirements for this basic food.

There is an apparent decline in Brazil's per capita consumption in the past few years. Total apparent consumption for the 4 years 1958 through 1961 has remained unchanged at 2,100,000 metric tons. This occurred during a period of high rate of industrial development, population growth, and rapid urbanization trend, with the result that there exists a shortage of wheat. While the figures are subject to some question due to the inadequacy of accurate information on locally produced wheat for food in Brazil, it is evident that production has declined resulting in a lower consumption of wheat. Ordinarily, with per capita consumption of wheat at the low level of around 31 kilos per capita, both of the aforementioned factors would result in increased demand for commercial bakery products. Furthermore, evidence based on studies made show that there is a great need to improve the standard diet of the Brazilian population, particularly in the northeast area where the per capita consumption is held to around 10 kilos.

For purposes of comparison there is appended to this report a table showing the consumption rate of wheat per capita in certain areas of the world, including South America. Brazil's consumption level of 31 kilos compares with the U.S. rate of about 74 kilos. If, as a target figure, consumption of wheat was freed from restrictions, consumption could easily double over a 5- to 6-year period and would still be less than two-thirds of the U.S. rate and about one-half of the rate of consumption in Argentina, Chile, and Uruguay.

The main deterrent to permitting a higher level target for wheat is the shortage of foreign exchange to warrant the higher level. In fact, with Brazil primarily dependent now upon imported wheat there is a serious question as to how high the level may be permitted should the U.S. supplies through the Public Law 480 program be discontinued or curtailed.

Upon conditions of free purchases it has been estimated that Brazil could, in the few years ahead, easily consume 4 million tons of wheat. In a study published by the Foreign Agricultural Service, U.S. Department of Agriculture, FAS M-60, it was concluded that "at the current rate of the population growth, requirements may total 4 million metric tons by 1970. There is little likelihood of production increasing enough by that time to take care of more than 30 to 35 percent of the needs. The balance will have to be imported."

In presenting a reasonable target, two principles must be recognized:

(1) That due to a decreasing local production imports have been higher, and to further increase imports would require some time adjustment in order to permit further expansion of facilities to receive the wheat at ports.

(2) Higher wheat imports will displace some existing suppliers of lower grade cereals and a gradual transition will be more reasonable, both economically and politically.

Taking all of the above into account and recognizing the existing shortage of wheat for bread and bakery products that exist, a reasonable beginning annual rate for 1962-63 is set at 3 million tons. This is approximately 900,000 tons higher than 1961 supplies.

With population growth of around 3 percent and allowing an additional increase of 5 percent to account for two factors: (1) A gradual increase in per capita wheat consumption; and (2) an additional amount associated with Brazil's industrial and economic growth, an annual rate, therefore, of about 8 percent, or about 250,000 tons a year is projected. A further additional 2 percent per year is assumed, bringing the total annual net increase up to 10 percent in order to provide for gradual acceleration above the rate that would have applied if complete free market conditions could have been permitted over the past few years. To put this target figure of 10 percent another way, the additional rate of 2 percent per year is designed to make the transition from the lower rate now existing to a gradual one over the next 5 years. Therefore, beginning in 1963, a 3,050,000 metric tons average consumption is used as the base from which an annual increase of 10 percent per year is projected over the next 4 years.

During the course of this period an additional amount would be needed for stocks which at the present time are nonexistent. One cannot determine the exact time that these stocks can be accumulated since industrial facilities will be required. However, if a program of higher consumption is to be adopted it

is only prudent that some additional facilities for stocks will have to be provided some time within the next 5 years. One could conclude that a 60-day supply should be added as stocks, or approximately 600,000 tons.

For the purpose of developing a target figure one would have to start the acceleration in the second half of 1962 inasmuch as wheat supplies for the first half could not accommodate a higher rate at this time than the existing one of 2,400,000 tons.

As a target for 1962, approximately 2,700,000 is assumed. This would be rationalized as follows:

First half 1962 (annual rate 2,400,000).....	1, 200, 000
Second half 1962 (annual rate 3,050,000).....	1, 525, 000
Total	2, 725, 000

Average annual rate 1962, approximately 2,700,000. The projections for the years 1963, 1964, and 1965 will use the 3,050,000 tons as a starting level and will be increased at an annual rate of about 10 percent until the higher level is reached in 1966. The results are summarized as follows:

<i>Target</i>		
1962.....		2, 700, 000
1963:		
1962 consumption rate.....	3, 050, 000	
10 percent additional.....	300, 000	
Consumption in 1963.....	3, 350, 000	
Reserve stocks.....	150, 000	
		3, 500, 000
1964:		
1963 consumption rate.....	3, 350, 000	
10 percent additional.....	330, 000	
Consumption in 1964.....	3, 680, 000	
Reserve stocks.....	270, 000	
		3, 950, 000
1965:		
1964 consumption rate.....	3, 680, 000	
10 percent additional.....	360, 000	
Consumption in 1965.....	4, 040, 000	
Reserve stocks.....	200, 000	
		4, 240, 000
1966:		
1965 consumption rate.....	4, 040, 000	
10 percent additional.....	400, 000	
Total consumption in 1966.....		4, 440, 000
Grand total		18, 830, 000

Summarizing the above, we have the following:

	Consumption	Reserve stocks	Total wheat requirement
1962.....	2, 700, 000		2, 700, 000
1963.....	3, 350, 000	150, 000	3, 500, 000
1964.....	3, 680, 000	270, 000	3, 950, 000
1965.....	4, 040, 000	200, 000	4, 240, 000
1966.....	4, 440, 000		4, 440, 000

Total added for reserve stocks 620,000, or about a 60-day supply.

II. Source of supply

Currently, Brazil has commitments with Argentina under a 3-year agreement and with the U.S.S.R. on a bilateral basis. The third source of supply is from

local production and it is necessary to allow some time for the Brazilian wheat growers to develop additional production of their own. There is given below projected sources to account for the above three categories.

TABLE A
[Thousand metric tons]

Calendar year	Local production	Argentina (by agreement)	U.S.S.R. (by agreement)	Total from these sources
1962.....	100	700	200	1,000
1963.....	150	1,000	200	1,350
1964.....	200	1,000	200	1,400
1965.....	300	1,200	300	1,800
1966.....	400	1,200	300	1,900

The anticipated supplies shown in the above table when subtracted from the reasonable target previously given will show the amount that would be necessary to be imported over the next 5 years. This is illustrated as follows:

TABLE B
[In thousand metric tons]

Calendar year	Reasonable target	Available from table A	Required from United States and other sources ¹
1962.....	2,700	1,000	1,700
1963.....	3,300	1,350	2,150
1964.....	3,980	1,400	2,580
1965.....	4,240	1,800	2,440
1966.....	4,440	1,900	2,540
Total.....	18,830	7,400	11,880

¹ Supplies from other non-Latin American sources have been negligible in the last 4 years and have averaged less than 40,000 tons during the past 10 years.

The above table indicates that wheat requirements from the United States will reach a level of about 2,500,000 tons annually in order to support a program such as outlined above. On the basis of cost to Brazil of around \$70 per metric ton, this is equivalent to a total annual import value of approximately \$175 million.

III—Relationship of the proposed program to U.S. sugar quotas

As previously shown with the decline of available supplies from Argentina and the reduction in production of wheat in Brazil in 1961, the U.S. share reached 1,614,000 tons, or over 80 percent of Brazilian 1961 imports. This was the highest rate on record. U.S. imports under title I of Public Law 480 accounted for almost two-thirds of Brazil's 1961 consumption. U.S. shipments to Brazil over the past 8 years are given below:

[1,000 metric tons]

	Title I	Barter	Section 416	Total programs	Others, cash	Total
1959-59.....	396.7	26.9	.....	422.6	52.9	475.5
1959-60.....	806.1	85.5	1.2	894.8	43.0	937.8
1960-61.....	844.1	101.2	4.4	949.7	120.1	1,069.8
8 year average.....	682.6	41.2	1.8	725.7	72.0	827.7

The suppliers for 1962 are as follows:

	<i>Metric tons</i>
Public Law 480 (4th agreement, in concluding stage of negotiations).....	800,000
Argentina (multiyear agreement provides for 1,000,000 tons annually; in 1962 only 700,000 tons due to unavailability of supplies).....	700,000
Usual marketing requirement of Public Law 480 agreement.....	300,000
U.S.S.R.....	200,000
Increase to be requested of 4th Public Law 480 agreement.....	300,000
Domestic production.....	100,000
Current target.....	2,400,000

Source: Brazil's recent offer of nonquota sugar.

On January 3, 1962, as a result of discussions between the Brazilian officials and officials of the Great Plains Wheat organization, a memorandum was prepared outlining the interrelationship between the problems of sugar sales from Brazil to the United States and wheat exports from the United States to Brazil. Considering all factors it would appear that a combination of all three alternatives is desirable.

There is a risk on Brazil's part in permitting expansion of consumption that would require annually close to 2,500,000 tons of wheat from the United States without having some assurance that foreign exchange earnings can be generated to justify the program. For example, the target program proposed develops following additionality from the apparent consumption of wheat for foods in Brazil in 1961 of 2,100,000 tons.

[Thousand metric tons]

	Target	4-year average use (1958-61)	Additionality
1962.....	2,700	2,100	600
1963.....	3,500	2,100	1,400
1964.....	3,950	2,100	1,850
1965.....	4,240	2,100	2,140
1966.....	4,440	2,100	2,340
Total.....			8,330

There follows then the question of relating the sugar quota potential to the above program to determine the maximum extent to which such a program can be accommodated by a reasonable combination of cash purchases with a continuation of Public Law 480 program purchases under title I and, if possible, title IV.

SUGAR-WHEAT FORMULA

For the purpose of arriving at a formula to be agreed upon between the U.S. wheatgrowers and Brazilian authorities responsible for the wheat program, the following factors and assumptions are suggested for mutual agreement:

1. A figure of \$70,000 per metric ton of wheat c.i.f. Brazil to be used as the approximate cost to Brazil in this period.

2. The f.o.b. value of sugar per short ton, Brazilian port, received from U.S. sugar sales, \$105.

3. Brazil agrees to use at least 66.7 percent (seventy one-hundredths) of sugar dollars earned on basic sugar quotas to buy U.S. wheat each year during the period of the program, 1962-66.

4. During the 5-year period of the program, Brazil's purchases of U.S. wheat other than those mentioned in paragraph 3, above, would be made as follows:

(a) Under title I, for delivery in 1962-66, conditional to the availability of title I program beyond the present termination date.

(b) Under title IV, for delivery in 1963-64, in the amount necessary to provide sufficient funds to finance the expansion of storage facilities necessary to increase reserve stocks equivalent to a 60-day supply.

(c) Under title IV, or in cash, to the extent of the dollars earned from sales of sugar to the United States, to fill out the program of purchases in the United States in the event that title I availability is discontinued.

5. It is understood that adjustments to the program will be made according to—

(a) Extension and amendment of the Sugar Act by June 30, 1962, and the amount and/or the nature of the sugar quotas given to Brazil.

(b) Changes in Public Law 480 and the availability of wheat to Brazil under the different titles of that law.

(c) The actual experience in Brazil regarding the rate of increase in wheat consumption under conditions of free availability of wheat.

(d) In the event of short falls from other sources of supply and taking into account 5(c) above, Brazil agrees to give the United States at least equal opportunity in additional wheat purchases that may become necessary.

6. It is understood that if the provisions of this memo are approved by the Brazilian Government, a proposal for a 5-year program of wheat purchases in the United States, along the lines of this memo and subject only to the allocation to Brazil of a sugar quota, will be presented to the proper U.S. agencies.

Table C, below, illustrates how the suggested program may be implemented:

TABLE C
[Thousand metric tons]

Calendar year	Total required from the United States under assumed targets (table B)	Proposed from title I and title IV	Wheat for cash	
			By formula	Usual purchases ¹
1962.....	1,700	1,100	300	300
1963.....	2,150	1,500	500	150
1964.....	2,550	1,500	900	150
1965.....	2,440	1,300	990	150
1966.....	2,540	1,200	1,190	150
Total.....	11,380	6,600	3,890	900
5-year average.....	2,276	1,320	776	180

¹ The amount of 300,000 represents an increase above the 130,000 required in the previous program. Since this is an accelerated program the amount of 150,000 tons appears adequate.

Over the 5 years 1962-66, the 11,380,000 tons of wheat at \$70 per metric ton is equivalent to \$796,600,000. The 5-year average is \$159,320,000.

Wheat for cash from the United States totals over the 5-year period 4,780,000 metric tons which is equivalent to \$334,600,000. The average annual amount over the 5-year period is \$67,920,000. The annual amounts start at \$42 million in 1962 and increase to a figure of \$88 million in 1966. The latter figure in terms of sugar is equivalent to 840,000 short tons.

At the end of the program, or in 1967, 1,200,000 metric tons of wheat would be required, or \$84 million of exchange would be needed to replace Public Law 480 programs. This would be the equivalent of 800,000 additional short tons of U.S. sugar quota. In other words, at the end of the program, assuming Brazil could go on a cash basis against sugar sales, the program would theoretically justify a sugar quota exceeding 1.5 million short tons by 1965.

Senator DOUGLAS. Our next witness is Mr. L. Blaine Liljenquist, on behalf of the British Honduras.

In the initial list of witnesses, I think Mr. Paul Badger was stated to represent British Honduras. Are you substituting for him?

Mr. LILJENQUIST. Yes, sir, Senator Douglas. He is down in Florida now. He tried to get on earlier and could not. And so I will give his testimony for him.

Senator DOUGLAS. The statement which you will read was prepared by him?

Mr. LILJENQUIST. It was prepared by the two of us.

**TESTIMONY OF L. BLAINE LILJENQUIST, ON BEHALF OF THE
GOVERNMENT OF BRITISH HONDURAS**

Senator DOUGLAS. Are you an American citizen, or are you a British citizen, residing in Honduras?

Mr. LILJENQUIST. Senator Douglas, I am an American citizen. I am the representative of the British Honduras on this legislation, and I am also an investor in British Honduras.

Senator DOUGLAS. Are you a member of Mr. Badger's law firm?

Mr. LILJENQUIST. No, I am not a member of Mr. Badger's law firm. But we are associated in some assignments.

Senator DOUGLAS. Proceed.

May I ask—have you filed a statement of representation of the Government of the British Honduras?

Mr. LILJENQUIST. Yes, sir, I have, and I have a copy of it here if you would like to receive it.

Senator DOUGLAS. We will come to that in time.

Mr. LILJENQUIST. Gentlemen, I won't read this statement. I think we can save a little time if I just speak extemporaneously.

British Honduras is a nearby country, as you probably all know. It is bordered by Mexico in the north and on the west, and by Guatemala on the west and on the south. The Caribbean is on the east.

Senator Morton a while ago commented on the importance of location for our sugar supply in the event of war. This little country is just a short boat haul away from New Orleans, or in case of emergency sugar from British Honduras could be trucked over land through Mexico.

It is an English-speaking country. It is pro-American. It has a low income. It needs economic development. There isn't much industry there—principally the timber business. Unfortunately this little country was devastated by Hurricane Hattie last fall. Hurricane Hattie swept through the country and destroyed its two principal cities—Belize, the capital, and Stann Creek Town.

About 300 people lost their lives in that hurricane, and the country was devastated quite substantially throughout.

I am appearing here because the United States has a good opportunity to give substantial economic aid to British Honduras by the allocation of a small quota of 30,000 tons. H.R. 12154 as passed by the House contains a sugar quota for British Honduras totaling 10,000 tons.

A larger quota is needed to attract the capital necessary to construct a new sugar mill. Adequate capital is available in the United States for the construction of this mill, provided the quota for British Honduras is raised to 30,000 tons.

If this quota of 30,000 tons which we are seeking should be approved by the Congress, and enacted into law, it would provide the largest economic enterprise in British Honduras.

We understand that the population increase in the United States is such that an increase of 150,000 tons is needed annually and under the House bill, about 37 percent of that annual growth increment would be assigned to foreign countries, or 55,000 tons annually.

We have an amendment here that we would like to offer for the consideration of your committee which provides that the basic quota

of 10,000 tons as is passed in the House bill for British Honduras would be increased in four annual increments of 5,000 tons a year out of this future growth expansion. Starting in 1963, the basic quota of 10,000 tons will be increased to 15,000, and additional increments of 5,000 tons each year would be added until in 1968 the quota for British Honduras would reach 30,000 tons annually, or enough to operate economically one new sugar mill, which will be constructed if this allocation is approved.

So, gentlemen, we feel that there isn't any country where you could allocate a small quota of 30,000 tons annually and derive more economic benefit for the people.

As I say, this little country of British Honduras, English speaking, has potential resources that have never been developed. The country is very actively seeking foreign capital, and particularly American capital for investment down there. A 30,000-ton sugar quota will greatly stimulate the economy of British Honduras. They desperately need some economic assistance down there, particularly because of the devastation of Hurricane Hattie last fall.

This is an amendment which we think the House Agricultural Committee will accept in the event the Senate sees fit to approve it.

Senator DOUGLAS. You have assurance to that effect?

Mr. LILJENQUIST. No, we do not have positive assurances, but it has been suggested this might be one way of obtaining some additional quota without in any way reducing the basic quotas of other countries.

Senator DOUGLAS. You say it has been suggested. Who has suggested this?

Mr. LILJENQUIST. I took this up with the counsel in the House Agriculture Committee, John Heimbarger, and then we proceeded here, and the legislative counsel, through Senator Bennett, had this amendment prepared.

If this quota of 30,000 tons for British Honduras is approved, it would represent three-tenths of 1 percent of our total consumption of 9,700,000 tons, and it would also represent eight-tenths of 1 percent of the quota under the Cooley bill, which is assigned to foreign countries.

So, gentlemen, we are not asking for very much for British Honduras—just enough sugar quota to operate one new sugar mill.

We have been informed by the British Honduras Government that if this quota is approved, that this will mean an allocation of sugarcane production for at least 300 farmers in that section of the British Honduras where the sugar mill would be constructed.

Senator DOUGLAS. Does that complete your presentation?

Mr. LILJENQUIST. Yes, sir.

(The statement of Mr. Liljenquist and appended material referred to follow:)

STATEMENT OF L. BLAINE LILJENQUIST, REPRESENTING THE GOVERNMENT OF
BRITISH HONDURAS

Chairman Byrd and members of the committee, my name is L. Blaine Liljenquist, of Washington, D.C. I am appearing before you today in behalf of the Government of British Honduras, which is seeking the allocation of a modest sugar quota under the provisions of the pending sugar legislation.

British Honduras is on the east coast of Central America facing the Caribbean Sea—and is bounded on the north and west by Mexico, and on the west and south by Guatemala. The total land area of British Honduras is 8,866 square miles, which includes a number of islets lying off the coast. The coastline, fringed by a barrier reef, is flat and swampy, but the country rises gradually toward the interior. The climate is subtropical and is on the whole agreeable to nontropical peoples. In the capital, Belize, the annual temperature range is 50 to 96 degrees with an annual average mean of approximately 78°. Along the coast heat and humidity are tempered by sea breezes during most of the year.

The estimated population of British Honduras is 93,000, with a density of approximately 10 persons per square mile. Of this total about 40 percent are of Latin American descent, 40 percent of African descent, 15 percent other, 3.4 percent European, and 1.6 percent of East Indian descent. English is the official language.

British Honduras has recently been given certain constitutional advances by the United Kingdom Government. This includes a full ministerial system and an enlarged legislative assembly having twice as many elected members as formerly. British Honduras can therefore be classified as a crown colony emerging toward independence within the Commonwealth.

Until recent years, the economy of British Honduras was principally based upon lumbering and chicle. Mahogany, secondary hardwoods and pine still account for most of the small national income, but they are diminishing in importance.

It should also be noted that British Honduras, unlike many of its Latin American neighbors, does not have a land reform problem. The farming unit averages about 15 acres in size, and these small farms are individually owned and operated. The Government permits and encourages the farmer to acquire title to his tract of land within a reasonable period of time—the principal requirement being that he continue to improve and develop the land.

The Government of British Honduras has as its main economic concern the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its economic base. The stated objectives of the United States are: (1) To maintain the cordial relations with British Honduras which have existed in the past, and (2) to encourage the economic development of British Honduras. The Government of the United States could not hope to find a more timely and effective means of accomplishing these objectives than by allowing this good neighbor to participate in supplying our sugar market.

In testifying before the House Committee on Agriculture, we requested that British Honduras be granted the right to supply a part of the sugar requirements of the United States—beginning with an allocation of 5,000 short tons in 1964, which would be increased in three successive annual steps to a total of 30,000 tons in 1967, and that it be continued annually thereafter at that level. As passed by the House, H.R. 12154 provides a basic quota of 10,000 tons of sugar for British Honduras. This amount is economically inadequate to provide for the construction and operation of a modern, efficient sugar mill in British Honduras—which would provide a much-needed stimulus to its national economy and assist the Government to meet its balance-of-payments deficit with the United States. Studies show that a total production of 25,000 to 30,000 tons is necessary to justify the construction and economic operation of a modern sugar mill.

We are, therefore, submitting herewith for the favorable consideration of this committee an amendment to H.R. 12154, which in effect, if adopted, would provide a basic quota for British Honduras of 15,000 tons in 1963—to be increased thereafter by an increment of 5,000 tons annually in three successive steps until it reaches a total of 30,000 tons in 1966. The amendment further provides that the requested increase shall be supplied from that portion of the annual growth requirement which is allocated to foreign countries.

The projected quota for British Honduras in 1966 would equal approximately three-tenths of 1 percent of 9,700,000 tons, the total consumption estimate for the United States. If the provisions of the pending legislation are followed, foreign nations would be assured of the right to supply slightly more than 40 percent of the entire U.S. sugar requirement—or approximately 3,880,000 tons of sugar. The projected quota for British Honduras in 1966 would equal approximately eight-tenths of 1 percent of this figure. Estimates indicate that the population of the United States is increasing at a rate requiring at least 150,000 additional tons of sugar each year. Under the proposed bill foreign countries

will have the right to share in 37 percent of this growth and expansion requirement—or approximately 55,500 tons per year. In other words, the requested increase in the quota for British Honduras would be filled entirely from this annual growth and expansion increment and, therefore, would not affect domestic producers in any way, and it would not diminish the basic quotas of the other foreign countries.

We sincerely believe that the extension of the suggested sugar quota to British Honduras is in keeping with our national interest and is fully supported by the following reasons:

(1) As a matter of national security, it would help us to develop and maintain an adequate source of supply for our sugar requirements within the continental limits of the Western Hemisphere. In this connection your attention is directed to the attached map. In the event of a national emergency, sugar from British Honduras could be transported safely and cheaply by a short boat haul to New Orleans, or under more extreme circumstances overland by truck transport through Mexico. This certainty of delivery could be of extreme importance to the United States in time of war.

(2) As a matter of equity, to permit this nearby friendly foreign country to participate equitably in supplying the U.S. sugar market. This is one of the basic objectives of our sugar program, which has worked so well for many years. At the present time many of the Latin American countries adjacent to British Honduras are already participating in our sugar program, either on a quota basis—including Mexico, Nicaragua, Peru, Panama, Costa Rica, Haiti, and the Dominican Republic, or under non-quota purchase allocations—including Guatemala, El Salvador, Ecuador, and Colombia. Further, under the provisions of H.R. 12154, Guatemala would be allocated a quota of 20,000 tons, Ecuador 30,000 tons, Colombia 35,000 tons, for example, compared with the 10,000 tons allocated to British Honduras. In fairness, there seems to be no good reason why we should deny British Honduras a more equitable opportunity.

(3) As a matter of foreign trade policy, our Government is stimulating and encouraging a program of expanded international trade. In 1961, British Honduras purchased more than \$7 million worth of products from the United States (mostly agricultural products). In return, we purchased only slightly more than \$1 million worth of products from this pro-American, English speaking country. By granting a sugar quota of the suggested dimension to British Honduras we could greatly stimulate her economy, create new markets for our products, and increase our exports.

(4) As a means of encouraging the economic development of British Honduras, a sugar quota would help to meet a critical need at an opportune time. This country desperately needs economic assistance. In October 1961, "Hurricane Hattie" swept across British Honduras with all its fury, largely destroying the two principal cities, Belize, the capital, and Stann Creek Town, and severely damaging other parts of the country. The homes of more than 40 percent of the population were either destroyed or badly damaged, with the loss of nearly 300 lives. Two of the principal income producing industries, timber and cacao, suffered great losses. Over 3,000 square miles of forest lands were devastated. The citrus and sugarcane crops resisted the storm comparatively well and it has been determined that more reliance must be placed upon these and other agricultural crops in future planning. A recent British Honduras economic mission to this country, seeking economic assistance for rehabilitation and reconstruction was unsuccessful, not because its needs were not real, but because no ready means could be found for securing the assistance required.

(5) As a means of supporting the objectives of the Alliance for Progress a sugar quota for British Honduras constitutes an important instrument of our foreign policy in Latin America. Unfortunately, as a dependency of the United Kingdom, British Honduras is not a member of the Alliance for Progress. For this reason she is not eligible for the various aid programs sponsored by the Alliance. Nevertheless, the legal and moral framework in which we must work is amply clear. The United States is committed to giving maximum support to those countries which inaugurate necessary social reforms and make energetic self-help efforts. A sugar quota would help British Honduras help herself. If such a quota is approved sufficient foreign capital investment is assured for the construction and operation of a modern sugar mill. This in turn will mean the allocation of sugarcane production quotas to at least 300 additional local farmers. In so doing we can assist the people of British Honduras to meet the principal objectives of the Alliance for Progress, as laid down in the Charter of Punta del Este, namely: First, to increase per capita income; second, to

achieve a more equitable distribution of national income; and third, to diversify their national economy. In so doing we can play our part in helping to keep alive, with our resources, with our political and moral backing, the principles of freedom and democracy which are so important to the future of Latin America.

We earnestly hope and trust that this committee and the Congress will act favorably upon this request to allow British Honduras to participate on an equitable and economically feasible basis in our sugar market. Thank you.

AMENDMENT

H.R. 12154, to amend and extend the provisions of the Sugar Act of 1948, as amended, vis:

On page 7, after line 4, insert the following:¹

"(C) Notwithstanding any other provisions of this paragraph, the proration made to British Honduras under subparagraph (A) shall be not less than the following amounts of sugar, raw value:

"(i) For 1963, 15,000 short tons;

"(ii) For 1964, 20,000 short tons;

"(iii) For 1965, 25,000 short tons; and

"(iv) For 1966, 30,000 short tons.

This subparagraph shall apply only to the extent that the quota for foreign countries other than the Philippines determined under paragraph (2) of this subsection for 1963, 1964, 1965, and 1966, respectively, exceeds 2,840,000 short tons, raw value, by 5,000 short tons, 10,000 short tons, 15,000 short tons, and 20,000 short tons, respectively."

Senator DOUGLAS. Mr. Liljenquist, do I understand that British Honduras has not had any previous quota?

Mr. LILJENQUIST. They have never had any quota in the United States. They do produce some sugarcane. They have one mill in the northern part of the country which is supplying some sugar to Great Britain.

Senator DOUGLAS. Of course, you are aware of the fact that the price which will be paid to your producers is \$56 a ton in excess of the world price. So the House bill provides you with a subsidy of \$560,000 a year for 5 years, or a total of \$2.8 million. You are now asking to have this increased by 5,000 tons a year, up to 30,000 tons. So you are proposing an ultimate tripling of the subsidy to \$1,680,000 for the year 1966.

May I ask how much do you get for the sugar which you sell under the British Commonwealth agreement? Are you in the British Commonwealth agreement?

Mr. LILJENQUIST. Yes. The sugar that goes to Great Britain, as I understand it, is substantially the American price. It is somewhat less.

Senator DOUGLAS. How much less?

Mr. LILJENQUIST. I could not say precisely, Senator, but as far as the request for sugar in the U.S. market is concerned, we would like to share in the foreign allocations if they are made. If they are made, we would like to see British Honduras have a quota sufficient to enable them to construct one new mill and market that sugar in the United States.

As a matter of fact, if there is not a premium price paid for this sugar, it would be economically impossible to attract the capital to build a new mill.

Senator DOUGLAS. Do you think we should assume some of the responsibility of the British Commonwealth for British Honduras?

¹ The page and line reference is to the bill as reported in the House inasmuch as the bill as passed by the House was not yet available.

Mr. LILJENQUIST. I think so, Senator, because this country is on its way to independence. Already they have the electoral system that they have in Canada, where the people elect their own ministers. The Governor, appointed by the Queen of England, is pretty largely a figurehead. They do have their own government. George Price, the First Minister, has been here. They are exceedingly interested in economic development.

They had a recent British Honduras economic mission here to this country, seeking economic assistance for rehabilitation and reconstruction. This economic mission was not successful.

I think that because this is an English-speaking country, because it is pro-American, and also because they buy from us over \$7 million worth of products annually, most of them agricultural products, and we buy from them a little over \$1 million worth of products, largely timber products, we should help them. And if we are going to assign these quotas to foreign countries, let's at least give British Honduras 30,000 tons to help them build up their economy.

Senator DOUGLAS. Well, now, if British Honduras gets a subsidy and an increasing subsidy from the United States, wouldn't this weaken the ties which bind British Honduras to Great Britain and diminish the loyalty which they feel toward Queen Elizabeth?

Mr. LILJENQUIST. Well, Senator, I do not think that that is going to be such a problem to us. I think that—

Senator DOUGLAS. Won't it be a real problem with Great Britain? Will not Great Britain object that we are trying to seduce you away from your loyalty to Queen Elizabeth by making you financially dependent upon us? And while we might perhaps get the friendship of the 93,000 people in British Honduras, we would be still further in the disesteem of the 50 million people in the United Kingdom.

I could have said the same thing to Mauritius. Will not Great Britain feel that we are trying to wean Mauritius away from them and wean India away?

Now, we want to maintain a strong British Commonwealth of nations. We do not want to diminish the sway of the British Empire. And yet here you are asking for aid and assistance which can only have the indirect effect of weakening the bonds of affection which should connect you with your lawful Queen and sovereign.

Mr. LILJENQUIST. Senator—

Senator DOUGLAS. And it would be called dollar diplomacy with a vengeance.

Mr. LILJENQUIST. Senator, I can only say that the British Embassy is aware of the application of the British Honduras Government for a sugar quota in the United States market. They have cooperated, they have even appealed to our State Department in support of the quota for British Honduras. And inasmuch as there are already steps on the way to help that country obtain independence of Great Britain I think that—and inasmuch as our Government has included British Honduras in the Alliance for Progress program—

Senator DOUGLAS. I had not realized that. Is it in the Alliance for Progress?

Mr. LILJENQUIST. It is my understanding that they are eligible for loans through our AID.

Senator DOUGLAS. Eligible for grants? I thought that we had very carefully kept away from this in order not to weaken the economic

relationships between the mother country and the crown colonies and the others. The Senator from Arkansas knows much more about this than I do.

Senator FULBRIGHT. I came in late. I apologize, Mr. Chairman.

Senator DOUGLAS. The question is whether the British possessions in North and South America are eligible for assistance under the Alliance for Progress.

Senator FULBRIGHT. I'm afraid I cannot answer that offhand, Mr. Chairman.

Senator DOUGLAS. Would you file that for the record—whether or not they are?

Mr. LILJENQUIST. Yes, I shall do so. It is my understanding that they are; that they are eligible for loans from the Agency for International Development.

Senator DOUGLAS. And grants?

Mr. LILJENQUIST. I cannot say about grants. But I shall check that and report to the record, Senator.

(The information was not received at the time the hearings were received. If received it will be made a part of the committee files.)

Senator DOUGLAS. Now, Mr. Liljenquist, are you receiving a fee for appearing on behalf of the Government of British Honduras?

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. Do you know if Mr. Badger is receiving a fee?

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. Well, wait a minute—you do not know whether he is receiving a fee or he is not receiving a fee—which?

Mr. LILJENQUIST. I know he is not receiving a fee.

Senator DOUGLAS. And you are not receiving a fee.

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. Is anyone receiving a fee?

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. This is purely a gratuitous act on your part?

Mr. LILJENQUIST. Yes, sir.

Senator DOUGLAS. Thank you.

Any questions?

Senator MORTON. Has British Honduras fulfilled its obligation to the United Kingdom in sugar?

Mr. LILJENQUIST. I understand not entirely so. They have one small mill in the northern part of the country. I think their allocation to the British is 10,000 tons, and then they also consume some locally. My understanding is that they have not always fulfilled that requirement.

Senator MORTON. Your position, then, is different from the previous witness, speaking of Mauritius, who had a surplus of sugar. You have no surplus. In fact, British Honduras has not been able to even fulfill its commitments to the United Kingdom under the Commonwealth sugar program.

Mr. LILJENQUIST. That is true. But that situation can be corrected—

Senator MORTON. Oh, yes. You could plant a lot more sugar. We could do that in Nebraska, too. So what you are asking us to do is not only take the House bill, which gets you in, but then to increase it through this amendment that you suggest, to a country that today

cannot even ship the sugar that it agreed to ship to the United Kingdom.

Mr. LILJENQUIST. Yes. But in the event the sugar quota is obtained here, we have assurances from American capital that the mill will be built, and I do not think there would be too much difficulty in supplying the cane.

Senator MORTON. I agree with that. And I suppose there are many American companies that would be glad to furnish the capital with the profit incentive being what it is in this program.

Mr. LILJENQUIST. I would like to obtain information on their quota with the United Kingdom, and the quantity they have supplied and submit that for the record. I could be mistaken on what they have supplied.

(The information was not received at the time the hearings were printed. If received it will be made a part of the committee files.)

Senator MORTON. I hope you will do that, sir. But it is my information that they have never, or at least not in the last 5 years, met the quota that they had in the London market.

I have been to Belize. In fact, I used to do business there. I have many friends there. I have every sympathy in the word for the ambitions of the citizens of British Honduras. I do not want to see them unfriendly. I also recognize this—that by going through the Lloyd Passage or the Yucatan Channel, or whatever you want to call it, to New Orleans you have a very short sea route to the Mississippi Delta, easy access by ship to this country. I think it would be a good place in which to have, as an offshoot source of sugar.

Mr. LILJENQUIST. And also a hard truck road all the way down through Mexico.

Senator MORTON. I would rather take it by the sea than through that road. I have driven that one, too.

I think that there is an opportunity for a sugar industry, increasing the cane production. But the fact remains that so far—now, of course, I will admit the British price is not quite as attractive as our price. But so far you have not made use of the markets available. And I think in approaching this bill, with all the problems we have, when you ask us to amend it, to go even beyond what was done by our generous friends on the House Agriculture Committee, you are just—we are going to have a hard enough time getting any bill out of this committee. Don't ask us to amend it in that direction, because we are really going to be in trouble then, I can assure you.

Mr. LILJENQUIST. You know, Senator Morton, if you are going to assign any foreign quotas, it would seem to me you would particularly want to help a little, pro-American country like British Honduras, which has so recently been devastated by a tragic hurricane. This little country certainly needs economic development. You can start a whole economic chain reaction by commencing with a small quota down there of 80,000 tons. I think that that would not be a burden on the United States. They are now starting to attract American business. I am down there with a group that have a cattle operation. We are getting ready to build a packing plant. We will be the only packing plant in the country. We are going to try to get those farmers down there producing cattle and also hogs for this packing plant. I think—

Senator MORTON. Where are you going to ship the produce? Here?

Mr. LILJENQUIST. No, we are going to sell it in the Caribbean area. We have a contract to sell to the troops—both British and local. And we are supplying that market now.

But we feel that here is a wonderful opportunity for the United States, with just a little bit of its quota on sugar, to come in here to a friendly nation and help them out economically.

As I say, they were up here recently with an economic mission and got nothing at all. Why don't we give them a little quota, enough to operate one new mill.

American Factors, Ltd., in Hawaii, if the allocation is approved, will go down and construct and operate the sugar mill. With what American know-how we have down there, I am sure we can get things organized to produce the cane.

Senator MORTON. I do not question that at all. You have the climate, you have the land, you have the necessary labor. And you have, as I say, rather efficient transport to our refineries in this country.

You just asked me if we assign these quotas that you want—I think you have made a good case.

Now, let's just put it this way.

Suppose that Congress in its wisdom, or lack of wisdom, decides that we are not going to assign these quotas. Then you are OK. Your American investor could still go down there with all the American know-how and all the efficient potential productive land you have got and your climate and your short haul, with the low freight—you are certainly in a position to get your share of the global quota.

Mr. LILJENQUIST. Well, the world market price is so low that no company is going to go down there and invest in a sugar mill on that world price. But if we could come into the U.S. market, which is a premium price, that's a different story—then we can get the mill. Otherwise, Senator, we are not going to have a sugar mill down there.

Senator MORTON. Well, I will ask my colleague, the very able chairman of the Foreign Relations Committee, to see what we can do on approaching the problem of British Honduras, for whom I have the highest respect and regard, for the people of that country—ask him to see if he cannot work it out on some other basis.

Did you ever get in the mahogany business down there?

Mr. LILJENQUIST. No, sir.

Senator MORTON. Well, back years ago—I have been to Belize, I used to peddle flour down there. And I got a rumor started around there that nobody should go into the woods for mahogany if he did not carry Bluebird flour with him. And they all got the Bluebird flour. So I am grateful to those people. I will help you if I can. But I don't think your amendment stands a chance.

Senator FULBRIGHT. Mr. Chairman—if I understand, you have registered under the Foreign Agents Registration Act as a representative of the British Honduras?

Mr. LILJENQUIST. Yes, sir.

Senator FULBRIGHT. When did you register?

Mr. LILJENQUIST. I registered this morning.

Senator FULBRIGHT. Do you have a copy of your registration statement?

Mr. LILJENQUIST. Yes, sir.

Senator FULBRIGHT. Would you submit it to the committee for the record?

Mr. LILJENQUIST. All right, sir.

(This data is included in the insert below :)

Senator FULBRIGHT. I understand you are receiving no pay.

Mr. LILJENQUIST. That's correct.

Senator FULBRIGHT. That is very unusual, is it not?

Mr. LILJENQUIST. Well, in the first place the British Honduras Government cannot afford to pay fees to anyone in their present economic condition. But in addition, as I mentioned prior to your coming in Senator, I am an investor in that country and we do operate a farm down there, a cattle farm. We are very interested in the economic development of that country.

Senator FULBRIGHT. Are you a citizen of the British Honduras?

Mr. LILJENQUIST. No, sir; I am an American citizen.

Senator FULBRIGHT. You are an American citizen?

Mr. LILJENQUIST. Yes.

Senator FULBRIGHT. Do you anticipate that if the quota is given, that it will be an American company?

Mr. LILJENQUIST. No. The British Honduras Government has stated that if this quota is approved, that at least 300 British Honduras farmers in the southern area will receive quotas.

Senator FULBRIGHT. What happened to Mr. Badger, who was supposed to appear here?

Mr. LILJENQUIST. Mr. Badger is scheduled to give a talk down in Florida. He tried to appear before your committee earlier and did not succeed. He called me yesterday in Chicago and asked me if there was any possibility of my getting back here. I did arrive early this morning, and I came over.

Senator FULBRIGHT. Oh, I see. That is why you registered this morning.

Mr. LILJENQUIST. Yes; I have a letter from the British Honduras Government, dated June 11, which I filed as a part of my registration with the Department of Justice, and I will submit that also for the record.

(The letter referred to follows:)

BRITISH HONDURAS, MINISTRY OF NATURAL RESOURCES,
COMMERCE AND INDUSTRY,
Belize, June 11, 1962.

Mr. L. BLAINE LILJENQUIST,
Washington, D.O., U.S.A.

SIR: I am enclosing a letter authorizing you to represent the Government of British Honduras on matters pertaining to the securing of a sugar quota under the U.S. Sugar Act. This letter is sent on the understanding that your firm is undertaking this assignment at no cost to the Government of British Honduras.

I am, sir,

Your obedient servant,

A. A. HUNTER,
Minister of Natural Resources, Commerce and Industry.

BRITISH HONDURAS MINISTRY OF
NATURAL RESOURCES, COMMERCE, AND INDUSTRY,
Belize, June 11, 1962.

Mr. L. BLAINE LILJENQUIST,
Washington, D.C., U.S.A.

SIR: I have the honor to refer to the conversation which took place on the 22d of May, 1962, at the British Embassy in Washington, D.C., between myself, Mr. Cullen, and Mrs. Harker of the British Embassy staff, and your assistant, Mr. Paul Badger and Dr. G. Taylor of Machete Nile Ltd. I informed Mr. Badger and Dr. G. Taylor then that the Government of British Honduras wanted your firm and Dr. G. Taylor to represent them at the hearings being held at the time by the Committee on Agriculture of the U.S. House of Representatives on a bill to amend and extend the provisions of the Sugar Act of 1948.

2. I am to say that after consultation in executive council my colleagues in government have confirmed the verbal appointment I made on the 22d of May 1962, and have instructed me to send you this letter authorizing you to represent the Government of British Honduras on matters pertaining only to the securing of a sugar quota under the U.S. Sugar Act.

I am, Sir,

Your obedient servant,

A. A. HUNTER,

Minister of Natural Resources, Commerce and Industry.

U.S. DEPARTMENT OF JUSTICE

Washington, D.C.

REGISTRATION STATEMENT PURSUANT TO SECTION 2 OF THE FOREIGN AGENTS
REGISTRATION ACT OF 1938, AS AMENDED

1. (a) Name of registrant: L. Blaine Liljenquist.
(b) All other names ever used by registrant and when used: None.
(c) All present business addresses: 917 15th Street NW., Washington, D.C.
(d) All present residence addresses: 3750 North 30th Place, Arlington 7, Va.
2. (a) Date and place of registrant's birth: April 5, 1912, Salt Lake City, Utah.
(b) Present citizenship or nationality: United States of America.
(c) If present citizenship not acquired by birth, indicate when, where, and how acquired: Inapplicable.
3. All visits to or residence in foreign countries during the past 5 years:
Name of foreign country: Japan.
Purpose of visit or stay in foreign country: To arrange for extension of trade agreement between Japanese and the United States hide and leather industry.
Date and port of departure from United States: August 1961, San Francisco, Calif.
Date and port of entry into the United States: September 1961, San Francisco, Calif.
4. (a) All clubs, societies, committees, and other nonbusiness organizations, in the United States or elsewhere, of which registrant is or has been during the past 5 years a member, director, officer, or employee:
Name and address of organization and nature of connection with organization: National Association Executive Club (director); American Society of Association Executives (director); Livestock Conservation, Inc. (director); Washington Trade Association Executives.
(b) All membership or service during the past 10 years in the active or reserve military, naval, or other armed forces of any foreign government or foreign political party: None.
5. Name and principal address of each foreign principal of registrant:
(1) Philippine Coconut Administration, Quezon Memorial Park, Diliman, Quezon City, P.I. (previous registration).
(2) Ministry of Natural Resources, Commerce, and Industry, British Honduras, Belize, British Honduras.

6. State the nature and purpose of registrant's representation of each foreign principal named under item 5 and describe fully all activities of registrant for or in the interests of each such foreign principal.

(1) To secure the repeal or elimination of the 3 cents per pound processing tax on Philippine coconut oil.

(2) To secure a sugar quota for British Honduras under the provisions of H.R. 12154, amending the Sugar Act of 1948.

7. Describe briefly all other businesses, occupations, and public activities in which registrant is presently engaged: President, Western States Meatpackers Association, 917 15th Street NW., Washington 5, D.C.; executive secretary, Candy Brokers Association of America, 917 15th Street NW., Washington 5, D.C.

8. All employees and other individuals who render any services or assistance to registrant, with or without compensation, for or in the interests of each foreign principal named under item 5:

Name and address of employee or other individual and nature of services or assistance rendered: Paul L. Badger, 917 15th Street NW., Washington 5, D.C.; legal services and general assistance.

9. Furnish the following information as to registrant's receipts and expenditures during the 3 months preceding the filing of this statement. The information may, if registrant desires, be furnished for registrant's latest fiscal quarter or other latest fiscal period of not less than 3 months.

(a) All amounts received during the period directly or indirectly from each foreign principal named under item 5, itemized as follows:¹

Date funds received: (1) 1960.

Name of foreign principal from whom funds received: ² Philippine Coconut Administration.

Purpose for which received: ³ See paragraph 6(1) above.

Amount received: ⁴ \$4,000.

(2) The terms of my undertaking for the government of British Honduras provide no compensation.

(b) All amounts received during the period from other sources to be used directly or indirectly for or in the interests of any foreign principal named under item 5, itemized as follows: None.

(c) All expenditures made during the period directly or indirectly for or in the interests of each foreign principal named under item 5, itemized as follows:⁵

Date payment was made: 1960 (item 5(1)).

Purposes for which payment was made: Postage, taxi fares and other business purposes.

Amount of payment: ⁶ \$39.35.

10. (a) Speeches, lectures, talks, and radio broadcasts arranged, sponsored or delivered by registrant during the past 3 months: None.

(b) Publications prepared or distributed by registrant, or by others for registrant, or in the preparation or distribution of which registrant rendered any services or assistance, during the past 6 months. (Indicate each type of publication by an X.)

(1) Press releases.....	(12) Radio programs.....
(2) News bulletins.....	(13) Radio scripts.....
(3) Newspapers.....	(14) Moving pictures.....
(4) Articles.....	(15) Lantern slides.....
(5) Books.....	(16) Still pictures.....
(6) Magazines.....	(17) Posters.....
(7) Pamphlets.....	(18) Photographs.....
(8) Circulars.....	(19) Charts.....
(9) Form letters.....	(20) Maps.....
(10) Reprints.....	(21) Other publications..... X
(11) Copies of speeches, lectures, talks, or radio broadcasts.....	

¹ Includes all amounts so received, whether received as compensation, loans, contributions, subscriptions, fees, dues, subsidies, or otherwise.

² Receipts from a person amounting to less than \$100 for the period may be combined with other like amounts, provided the source of the funds is clearly indicated.

³ Where funds were received for various purposes, such purposes shall be listed in reasonable detail.

⁴ Show separately the amount received for each purpose listed under the preceding column.

⁵ Include all transfers of funds to any foreign principal.

(c) Preparation of publications referred to in answer to (b) above.

Number checked under (b) : (21).

Description of publication : Statement before the Agriculture Committee of the House of Representatives, May 23, 1962.

By whom written, edited, or prepared : Paul L. Badger.

By whom printed, produced, or published : Self.

(d) Distribution of publications referred to in answer to (b) above.

Number checked under (b) : (21).

Name of distributor : House Committee on Agriculture.

Methods and channels of distribution : Press.

Classes or groups of persons to which distributed : Statements are made available to any person interested.

11. (a) Registrant's connections, not fully described above, with foreign governments, foreign political parties, or officials or agencies thereof : None.

(b) Registrant's pecuniary interest in or control over partnerships, corporations, associations, or other organizations or combinations of individuals, not fully described above :

Name of organization or combination : Machete Nile, Ltd., a British Honduras corporation.

Nature of Registrant's ownership or other pecuniary interest : stockholder.

Nature of any direction or control exercised by registrant : Director.

(c) If the registrant is subject to the supervision, direction, or control of any individual or organization, except as hereinabove fully described in this statement, explain fully : None.

12. File the following exhibits with this statement :

Short form registration statement.—File a short form registration statement on the printed form provided therefor, for each person named under item 8.

Exhibit B.—File a copy of the agreement, arrangement, or authorization (or if not in writing, a written description thereof) pursuant to which Registrant is acting for, or receiving funds from, each foreign principal named under item 8.

Exhibit C.—File an exhibit C, on the printed form provided therefor, for each foreign principal named under item 5.

Exhibit D.—File copies of all printed matter referred to under item 10(b), except photographs and moving pictures.

Exhibit E.—File a copy of the agreement or arrangement (or if not in writing, a written description thereof) between the registrant and each business firm or other organization named under item 10(c) or (d).

The undersigned swears or affirms that he has read the information set forth in this statement and the attached exhibits, that he is familiar with the contents thereof, and that such contents are in their entirety true and accurate to the best of his knowledge and belief, except that the undersigned makes no representation as to the truth or accuracy of the information contained in short form registration statements insofar as such information is not within his personal knowledge.

(Both copies of this statement shall be signed by the registrant and sworn to before a notary public or other officer authorized to administer oaths.)

L. Blaine Liljenquist.

(Signature—Type or print name underneath)

Subscribed and sworn to before me at ----- this ---- day of -----, 19--

(Signature of notary or other officer)

My commission expires -----, 19--

EXHIBIT C TO REGISTRATION STATEMENTS UNDER THE FOREIGN AGENTS REGISTRATION ACT OF 1938, AS AMENDED

Furnish this exhibit for each foreign principal of the registrant. This exhibit will not be accepted for filing unless it is reasonably complete and accurate.

1. Name and address of registrant : L. Blaine Liljenquist, 917 15th Street NW., Washington, D.C.

2. (a) Name of foreign principal: Ministry of Natural Resources, Commerce and Industry, British Honduras.

(b) Principal address of foreign principal: Belize, British Honduras.

3. If the foreign principal is a foreign government, state the following:

Branch or agency thereof represented by registrant: Ministry of Natural Resources, Commerce and Industry.

Name and title of official with whom registrant deals: Alexander A. Hunter, Ministry of Natural Resources, etc.

4. If the foreign principal is an individual (natural person), state: (a) All present business and residence addresses not given under item 2(b): Not applicable.

5. If the foreign principal is not an individual (natural person) or a foreign government, state the following: (a) Type of foreign principal's organization: Not applicable.

(c) All partners, officers, directors, and similar officials of the foreign principal: Not applicable.

(d) List, if any, all of the foreign principal's branches and local units and other component or affiliated groups or organizations in the United States and elsewhere: Not applicable.

(e) Branch or group, if any, represented by registrant: Not applicable.

6. If the foreign principal is not a foreign government but is supervised, directed, or controlled by a foreign government, foreign political party, or an official or agency thereof, or by any other person or persons, state name of such government, political party, or other persons and nature and extent of supervision, direction, or control: Not applicable.

7. If the foreign principal is not a foreign government but is financed or subsidized in any way by a foreign government, foreign political party, or an official or agency thereof, or by any other person or persons, state name of such government, political party, or other persons and nature and extent of such financing or subsidization: Not applicable.

8. If the foreign principal is not a foreign government, state nature of all its businesses, occupations or functions: Not applicable.

Senator FULBRIGHT. Well, that is all, Mr. Chairman.

Senator DOUGLAS. Any other questions?

Senator MORTON. Just so we understand, Mr. Chairman—I think the fact that the witness registered this morning is just because he is pinch-hitting here, and I do not want it to be interpreted in any way as any reflection on him. I think that you are rendering a service for British Honduras, and the fact that you are doing it without a fee, I think you are to be commended for that.

Mr. LILJENQUIST. Thank you, sir.

Senator DOUGLAS. Mr. Liljenquist, just one or two questions. Would it be your intent to put up or assist in putting up the sugar mill under the present quota, or if the quota were increased?

Mr. LILJENQUIST. I beg your pardon?

Senator DOUGLAS. Would it be your intention to participate in putting up the new sugar mill under the present quota, or if the quota were increased?

Mr. LILJENQUIST. In the event that were done, sir, the American factors in Hawaii would put up the sugar mill. It is possible that our farms down there would participate in raising cane. At least we would benefit from byproducts of the mill in our cattle industry. We could purchase byproducts.

Senator DOUGLAS. Thank you, Mr. Liljenquist.

Senator DOUGLAS. Our next witness is Albert S. Nemir, Brazilian Sugar and Alcohol Institute.

STATEMENT OF ALBERT S. NEMIR ON BEHALF OF THE SUGAR AND ALCOHOL INSTITUTE OF BRAZIL, ACCOMPANIED BY HERBERT C. HATHORN

Mr. NEMIR. Mr. Chairman, my name is Albert S. Nemir of A. S. Nemir Associates. I have with me Mr. Hathorn.

Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government, which was established in 1930 to assure the orderly production and distribution of sugar.

We appeared before the House Committee on Agriculture on May 21, 1962, to give testimony and supplementary information on Brazil's behalf. For a detailed presentation of our case, I wish to refer the Senate Finance Committee to pages 320 to 371, inclusive, of the hearings before the Committee on Agriculture, House of Representatives, 87th Congress, 2d session, on sugar.

H.R. 12165 gives Brazil, for the first time, a basic quota of 190,000 short tons, currently based on an annual level of sugar consumption in the United States of 9,700,000 short tons.

In addition, 150,000 tons was authorized for purchase on a temporary basis through December 1963. In 1961, Brazil shipped to the United States 300,000 tons of nonquota sugar allocations, and in 1960, 100,000 tons.

Mr. Chairman, I have been concerned with sugar matters for 27 years. It is my opinion that without a fixed quota system, under current world conditions, the United States would be courting disruption in supply and could expect erratic price conditions in our sugar market in the next few years.

We are here to present to your committee the reasons why we believe Brazil qualifies for a substantial basis sugar quota.

I. Brazil qualifies under all criteria of the Sugar Act for the following reasons:

(1) Brazil was the largest producer of commercial cane sugar in the world in 1961-62 friendly to the United States. Her ability to ship substantial quantities of sugar on short notice has already been demonstrated. Production in 1961-62 will total around 4 million short tons, raw value, of which 3 million tons is for the domestic market and the remainder will be available for export. Her exports during the past 4 years have averaged over 800,000 short tons. Production is continuous throughout the year since there are two crops—in the northeast from September to April and in the south from June to December.

(2) Brazil has 368 mills well dispersed throughout the producing areas. Ownership is widely scattered throughout the producing area and there is very little concentration of production in large mills.

For example, average size in the State of Pernambuco for the 54 mills is around 16,000 tons, and in the State of São Paulo with 97 mills, the average is slightly over 10,000 tons.

(3) There are 50,000 small- and medium-sized farms supplying one-half of the cane production of Brazil. There are approximately 70,000 workers in the mills, 250,000 sugarcane workers, and the total sugar operation directly involves about 1¼ million persons.

(4) Brazil has unlimited potential capacity for expansion and mill restrictions on production have been in effect for many years.

(5) Brazil is one of the few friendly countries in the Western Hemisphere that can respond with promptness to meet the U.S. demand for rapidly changing needs of sugar. This is significant in today's troubled world. In fact, Brazil can assure precisely the kind of protection and stability that Cuba formerly offered to make certain that the Sugar Act will operate properly and in an orderly fashion.

II. Balance of payments: Brazil has one of the most difficult balance-of-payment situations of any country in Latin America. This is because her principal export earners, coffee, cocoa, and sugar, have all been seriously depressed commodities in terms of price. It is the shortage of exchange that requires the Brazilian Government to limit imports. Conversely, it was the opportunity to earn the exchange that made possible the commitment by Brazil to offer to purchase for dollars over the next 5 years \$250 million of additional U.S. wheat, committing the foreign exchange earned on sugar for that purpose.

III. The Brazilian sugar controlled system assures that no speculative profits will go to the sugar industry: The Sugar and Alcohol Institute of Brazil was established by the Federal Government in 1980 in order to assure the balance and orderly growth of sugar production.

Sugar exports from Brazil are all handled by this Government agency which is comparable to the Canadian Wheat Board. Therefore, the sugar producers do not bear the losses from current exports at today's depressed world price levels. Neither do they participate in the net receipts from any U.S. sugar sales.

Exhibit I in the testimony before the House committee gives the translation of fund decree No. 156 of November 17, 1961, outlining the steps already taken by the Brazilian Government to establish a fund for the consolidation and development of economic and social programs for workers in the sugar and the sugar cane industry.

This decree has been further implemented to channel available net receipts to these purposes, particularly targeting the northeast problem area where 40 percent of the Brazilian sugar is produced.

The Government program is designed to meet—

- (a) Immediate problems by means of an emergency plan;
- (b) Medium-term problems by means of a 5-year plan;
- (c) Long-term problems within the coordinated economic and social development plan of the Government.

IV. Alliance for Progress: In northern Brazil where 40 percent of the Brazilian sugar is produced, there are 25 million persons with average income levels among the lowest in Latin America and this is the great problem area of South America. Estimates are the income level is \$100 per person in that area.

The steps already taken and the commitment of the Government to implement the Alliance for Progress program, particularly in this area, gives the United States complete assurance that benefits from the sugar sales to the United States will go to advance the social and economic improvement of workers and others in this area and, in fact, throughout Brazil.

V. Concern regarding expropriation: Many references have been made concerning the attempted expropriation of the telephone company in Brazil by action of the State of Rio Grande do Sul. Every action of the Republic of Brazil since that incident has been to safeguard the foreign investors in Brazil against a repetition of this auton-

omous State action. We submitted in our testimony in the House two press releases by the Brazilian Embassy on this point. The situation has been clarified further and, Mr. Chairman, I ask permission to incorporate in the record the following:

1. Letter published in the New York Times on Tuesday, June 19, 1962, in which the Brazilian Ambassador, Roberto de Oliveira Campos, clarified Brazil's position with reference to the expropriation.

2. An article in the U.S. Department of Commerce publication called International Commerce, June 18, 1962, page 49, commenting on recent action designed to reassure foreign investors against indiscriminate action by any local authorities in Brazil and regulatory measures adopted by Brazil to improve the investment climate and to protect private property.

3. Press release of June 6, 1962, issued by the Brazilian Embassy, entitled "Protection of Foreign Investments in Public Utilities."

4. News letter published in the Journal of Commerce, Thursday, June 21, 1962, which further clarifies the expropriation misunderstanding.

We will have inserted in the record at this point all of these documents.

(The documents referred to follow:)

EXHIBIT 1

NATIONALIZATION IN BRAZIL

AMBASSADOR EXPLAINS LAW SETTING FORTH METHOD OF COMPENSATION

To the EDITOR OF THE NEW YORK TIMES:

My attention has been called to a story in the Times of June 10, "Congress Acting in Foreign Aid as Expropriations Raise Its Ire."

This story, which deals with present efforts in Congress to safeguard the foreign investments of U.S. citizens against the threat of expropriation without fair compensation, makes direct reference to the decree recently issued by the Brazilian Government to regulate the nationalization of public utilities in Brazil and draws inferences which are not justified by the language or the intent of the decree.

The Times story states that "according to the Goulart plan, an expropriating nation would pay only 10 percent of the indemnity at the time of 'seizure' and "most of the rest would be paid in installments out of profits." The article goes on to say "If there were no profits, there would be no further compensation" and "obviously it would be advantageous" or "profitable for the expropriating nation to see to it that the seized foreign business was run thereafter as a nonprofit enterprise."

NOT LINKED TO PROFITS

The actual language in article 2, paragraph (b) of the decree provides for "payment of the deferred portion (after the 10-percent downpayment) in installments compatible wherever possible with the funds generated by the service itself and a minimum of additional public funds." Neither in the decree nor in the discussion which led up to it has it ever been suggested that the payment of compensation would be dependent upon the profits of the nationalized enterprise, and I can assure you that this is not the intent of the Brazilian Government.

Any suggestion or inference that my Government would deliberately see to it that there were no profits as a device for evading payment of fair compensation for a public utility enterprise it acquires is a gratuitous and unjustified reflection upon the integrity and good faith of Brazil.

As was pointed out in the press release of my Embassy on June 6, this decree is designed to protect foreign investments in Brazil and assure the owners of such investments that "in the nationalization of public utility companies, the constitutional guarantees of private property, both domestic and foreign, must be observed."

ROBERTO DE OLIVEIRA CAMPOS,
Brazilian Ambassador.

WASHINGTON, June 12, 1962.

EXHIBIT 2

BRAZIL DECREE REGULATES UTILITY EXPROPRIATIONS, SETS UP COMMISSION

U.S. INVESTORS' PROPOSALS PROVIDE BASIS FOR PRESIDENTIAL EDICT ESTABLISHING THREE-MAN BODY UNDER PRIME MINISTER

A three-member commission to regulate the expropriation of public utilities has been established by the Brazilian Government in a move to reassure foreign investors against indiscriminate action by local authorities.

According to the Brazilian Embassy in Washington, the decree is based on a proposal submitted by the largest American investors in Brazil, as well as on similar laws issued in the past by Mexico, Argentina, and Colombia.

The Council of Ministers recognizes the need for continued foreign participation in the formation of internal capital, so that the country may attain the levels of economic and social development demanded by population growth and the just aspirations of the Brazilian people.

The Government believes that at Brazil's present stage of development the national interest may be better served by direct Government operation of public services, except for municipal or limited regional services where private concessions may be justified.

In issuing the regulatory decree, Brazil seeks not only to improve the investment climate and protect private property, but also to regulate the burden of remittances in relation to the balance-of-payments situation.

Under the decree, the three presidentially appointed commission members are directly responsible to the Prime Minister. The commission will submit to the Council of Ministers a list of the services to be taken over and the priority of action, and will have the responsibility of negotiating settlements with the affected companies.

Indemnities will be determined by mutual agreement, when necessary, through expert evaluation or arbitration by a representative of the Government, a representative of the company, and experts appointed by joint agreement, or, in the case of disagreement, by the Prime Minister, with the approval of the Cabinet.

Initial payments toward indemnification for expropriated property will not be in excess of 10 percent of the total, with the remainder in deferred installments. Earnings of the utility itself must be used wherever possible as the source of funds to meet settlement terms, with as little additional public expenditure as possible.

Not less than 75 percent of the net amounts received by a company must be reinvested in Brazil in sectors or activities defined by the National Planning Commission as important for social and economic development. Such reinvestment may not be used to finance or participate in any Brazilian enterprise already in operation.

EXHIBIT 3

[Brazilian Embassy Press Release No. 48, Washington, D.C., June 6, 1962]

PROTECTION OF FOREIGN INVESTMENTS IN PUBLIC UTILITIES

With the purpose of protecting foreign investments in Brazil, the Brazilian Government issued a decree regulating expropriations in that country. It is based on a proposal submitted by the largest American investors in Brazil,

and in line with similar expropriation laws issued in the past by Mexico, Argentina, and Colombia. The new decree is also a result of mutual understanding on the subject arrived at high level during the visit of President Goulart to the United States last April.

Following is the text of the law:

"Whereas at the present stage of the country's development the national interests may be better served by direct operation of public services or utilities, except in regard to municipal services or to those having a limited regional scope, where private concessions are justified;

"Whereas in the nationalization of public utilities companies the constitutional principles of guarantee of private property, both domestic and foreign, must be observed;

"Whereas the Council of Ministers, in its plan of Government submitted to the Congress, recognized the necessity for the participation of foreign investments in the country as a supplement in the formation of internal capital, so that the country may attain and maintain the levels of economic and social development demanded by population growth and by the Brazilian people's just aspirations to social well-being;

"Whereas the nationalization of public utilities companies should not result in a reduction for foreign investments in the country, nor in the creation of a climate discouraging to new investments, nor constitute a source of substantial increase in the exchange burdens arising out of such investments;

"ART. 1. A Commission answering to the President of the Council of Ministers is hereby created, to be composed of three members appointed by the President of the Republic, such Commission to be charged with (a) submittal, for approval by the Council of Ministers, of a list of the services to be taken over for direct operation, indicating order of priority; (b) negotiation, with the representatives of the concessionary companies, of the conditions and procedure for refund or indemnization to the shareholders, and submittal to the Council of Ministers of the plan resulting from each such negotiation;

"ART. 2. The conditions governing refund or indemnization agreed upon with the concessionaries shall be subject to the following principles: (a) initial payment of a portion not to exceed 10 percent of the agreed total; (b) deferred payment of a portion in installments compatible whenever possible with resources accumulated by the self-same utility and with a minimum of additional public resources; (c) obligation assumed by the concessionaries to reinvest in the country, in sectors of activities defined by the National Planning Commission as enjoying priority for the social and economic development, of not less than 75 percent of the net amounts received as reimbursement or indemnization, such reinvestment not to be applied to the financing of, or participation in, any Brazilian enterprise already in operation;

"ART. 3. The assets and the amounts to be received by the concessionaries as payment or indemnization shall be estimated by mutual agreement and, when necessary, through expert evaluation and/or arbitration by a representative of the Government and a representative of the concessionary, and expires appointed by joint agreement, or, in case of disagreement, by the President of the Council of Ministers, with the approval of the Cabinet;

"ART. 4. The present decree becomes effective on the date of its publication, all provisions to the contrary being hereby revoked."

EXHIBIT 4

[From the Journal of Commerce, June 21, 1962]

NEWSLETTER—WORLD TRADE

EXPROPRIATION CURBS POSING HEADACHE

WASHINGTON.—The pellmell rush of Congress to protect American investment overseas from highhanded expropriation promises to bring on a number of king-size headaches for the administration.

In fact the question of the alleged conflict between property rights of U.S. investors abroad and sovereign rights of their host governments is getting so balled up in current legislation that the administration would be smart to step in now and get the whole situation explained.

It would avoid a lot of ill will between this country and the underdeveloped nations which we are so ardently wooing. These nations are sensitive to eruptions in the U.S. Congress about the sanctity of U.S. foreign investments, so sensitive that they often lose sight of the fact that such outbursts do not necessarily represent the viewpoint of the U.S. Government.

BRASIL MOVE IMPACT

It so happens the rash of antiexpropriation sentiment on Capitol Hill is inspired by the difficulties of International Telephone & Telegraph in Brazil. The seizure of one of its subsidiaries by a state government there earlier this year created a major crisis in United States-Brazilian relations.

The fact that this dispute now is being negotiated—since the Federal authorities in Brazil stepped in to block the takeover by the state government—is forgotten or overlooked by the U.S. Senate. It just voted an amendment to the foreign aid program to deny assistance to any nation "expropriating" U.S.-owned property.

SUFFERED LAPSE

The House this week suffered a similar lapse when it passed the sugar bill. It gave Brazil a temporary annual sugar quota in the U.S. market of 150,000 tons, something the Brazilians dearly wanted. But the legislation also threatened, without naming Brazil, to suspend the quota of any nation which "unlawfully expropriates" or discriminates against U.S.-owned property.

To keep this sort of thing from getting out of hand, President Kennedy should publicly express his approval of the type of amicable expropriation settlement worked out recently between Mexico and American & Foreign Power. This should also prove helpful in assuring ITT prompt, adequate, and just compensation for ITT expropriated facilities in Brazil.

CHANCE MISSED

Mr. Kennedy missed a chance to do this when Brazilian President Goulart was here in the spring. While he is understood to have approved the Goulart expropriation plan, the official communique said only that he had expressed interest in it.

Some will say that to have Mr. Kennedy take such a position would encourage underdeveloped nations wherever to expropriate everything in sight. This risk, however, seems far outweighed by the long-term advantages of having the U.S. position clearly on the record.

J. F. K.

Mr. NEMIR. We deem it unfair to penalize the Federal Government of Brazil for action by a single state governor, which the Federal Government had no hand in. When the press asked President Kennedy if he would stop the Alliance for Progress funds to Brazil because of the telephone takeover in Rio Grande Do Sul, he replied that there would be no slowup because the Federal Government of Brazil should not be held responsible for the action of state governors.

The tradition of friendship between the United States and Brazil is long and unbroken. If there is to be any real progress in Western Hemisphere relationships and development, the continued cooperation and friendship of these two great nations—the largest in the Western Hemisphere—must be maintained and strengthened.

A test of friendship is a nation's willingness to stand beside her friends in times of crisis. The 200,000 Brazilian troops represented over 50 percent of all Latin American forces in World War II battlefields, and is stark evidence of the comradeship between these two great friends.

VI. Brazil is a large and expanding market for American exports: Currently, Brazil is the largest importer of U.S. agricultural products in Latin America. Brazil's purchases of \$112.2 million of U.S. agri-

cultural commodities in 1961 exceeded the combined purchase of U.S. agricultural commodities of those countries in Latin America who are basic sugar quota holders. Brazil is the largest user of wheat in Latin America—Brazil purchases 63,601,000 bushels yearly—or 59.6 percent of total wheat imports into Latin America (average 5-year period 1957-61).

The Brazilian Government has formally presented by diplomatic note on May 25, 1962, a program whereby she would purchase for dollars additional wheat from the United States to increase her level of wheat consumption by 100 percent within the next 5 years, provided she could sell to the U.S. market 750,000 tons of sugar annually over a 5-year period.

This would give the United States a total during 5 years of more than \$250 million in new dollar business; save the outflow of U.S. dollars; benefit Kansas, North Dakota, South Dakota, Nebraska, Oklahoma, Texas, Montana, and all other wheat-producing States by providing a wheat market for the production from more than 8 million acres of wheatland per year, and it would greatly assist the U.S. Treasury.

We appreciate the consideration given to Brazil in H.R. 12154. We were hopeful that a greater quantity of sugar would be allocated to the Western Hemisphere—especially Brazil—as a means of quickly expanding the sale of additional U.S. commodities.

Although Brazil is the only country which has adopted a formal program to use receipts from sugar sales to the United States for the purchase of additional U.S. agricultural products, the opportunity is available to other countries. The implementation of Brazil's program would be in keeping with the intent as clearly stated in the House committee report on H.R. 12154, and also with the statements made on the House floor by Congressman Poage and others as they appear in the Congressional Record (vol. 108, No. 99, pp. 10028-10030, June 18, 1962).

We respectfully submit our statement and supplemental material including Brazil's proposal for the committee's consideration. We hope the committee will give special recognition, in the form of additional sugar allocations, to Brazil's farsighted proposal to use 67 to 70 percent of her receipts from sugar sales to the U.S. market for purchasing additional U.S. wheat—over and above her traditional supplies. Such a program will improve diets and raise the living standards of her people by increasing their wheat consumption 100 percent within the next 5 years.

(The supplemental material and exhibits referred to follow:)

LIST OF EXHIBITS

- I. Translation of fund decree No. 156, November 17, 1961, of the Sugar and Alcohol Institute which outlines the steps taken to establish a fund for the consolidation and development of economic and social programs for workers in the sugar and sugarcane industry.
- II. Map showing the production of sugar in the principal States of Brazil.
- III. Map showing northeast Brazil, a poverty ridden but important sugar-producing area. This northern sector now under Brazil's development program operation SUDENE, as well as principal concern of Alliance for Progress.

- IV. Map graphically showing location of mills, sugar exports and exports by the principal ports of Brazil. This map shows theoretical monthly loading capacity: Recife, 120,000 tons; Macelo, 52,000 tons; Santos, 90,000 tons.
- V. Chart, Brazil: Largest importer of U.S. agricultural commodities in Latin America in 1961.
- VI. Chart, Brazil: Largest importer of U.S. wheat among Western Hemisphere countries receiving nonquota sugar allocation in 1961.
- VII. Chart: Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined.
- VIII. Chart: Comparing Brazil's wheat consumption with other nations demonstrating the reasonableness of the target expanding wheat consumption in Brazil during next 5 years.
- IX. Summary charts: Showing Brazil's position as a wheat importer among certain Western Hemisphere countries.
- X. Table: Projection of foreign supplies available to the United States on various price assumptions to 1970 as reported by the Special Study Group on Sugar of the U.S. Department of Agriculture, prepared at the request of the House Committee on Agriculture.

EXHIBIT I

Decree No. 156
November 17, 1961

TRANSLATION OF FUND DECREE

(Establishes in the Sugar and Alcohol Institute a Fund for Consolidation and Development of the Sugar Cane and Sugar Industry and Sets Forth Other Provisions)

Article 1. The "Fund for Consolidation and Development of the Sugar Cane Sugar Industry" is hereby created in the Sugar and Alcohol Institute, and will be administered by that Institute.

Article 2. The Fund will be composed of—

(a) the net receipts of the contribution of Cr\$50.00 per bag of sugar, as per Resolution A 1588 as of September 21, 1961, of the Executive Commission of the Sugar and Alcohol Institute, or of contributions set for this purpose in the annual plans for defense and balance of the cane harvest according to Articles 148 and 149 of Decree-Law N 8855, of November 21, 1941;

(b) the net receipt from sugar export operations during 1961 under the provisions of Decree A 51104 of August 1st, 1961;

(c) the balances resulting from the differences between official sugar prices, plus export expenses and the value of general sugar exports;

(d) other resources resulting from transfers, appropriations, or donations from public or private sources of any kind, as well as balances of specific funds which may be transferred or incorporated by decision of the Executive Commission of the Sugar and Alcohol Institute to meet the purposes of the Fund.

Article 3. The resources of the Fund will be used for the following purposes:

(a) to finance or serve as guarantee of financing contracts for sugar to be exported, in order to assure coverage of possible differences between official prices in the internal market and the export sale price;

(b) to guarantee financing from internal and external sources, within legal requirements, to finance or carry the cost of the execution of a program for consolidation and development of the sugar cane and sugar industry and the circulation and marketing of production, as well as the training of technical personnel;

(c) to carry out a social assistance program for workers; in the sugar cane and sugar industry, including, among others, the following points:

1. food and clothing at cost through cooperatives, canteens or other entities;

2. free primary and professional education;

3. hygiene and health through medical assistance and hospitalization;

4. adequate housing;

(d) to promote programs of economic, agricultural and industrial research.

Article 4. The preparation of programs referred to in letters (b), (c), and (d) of the previous Article shall meet—

(a) immediate problems, by means of an emergency plan;

(b) medium-term problems by means of a five-year plan;

(c) long-term problems within the coordinated economic and social development plan of the Government.

Paragraph One: The emergency plan referred to in this Article shall give priority consideration to, among other aspects, the financial and technical situation of the mills;

Paragraph Two: The Sugar and Alcohol Institute is authorized to contract technical and professional services of specialists and public and private entities, as needed for the preparation of the above-mentioned programs.

Article 5. The programming, as part of the Government's general plan for economic and social development, shall meet the goals of the sugar cane and sugar industry according to priorities intended to correct regional economic unbalances, especially in the Northeast.

Paragraph One: Once the cited program has been prepared, it will be submitted to the Executive Commission of the IAA, for its approval, and subsequent concurrence by the Ministry of Industry and Commerce.

Paragraph Two: Plans and projects elaborated in accordance with the provisions of Articles 4 and 5 will also be submitted to the Executive Commission for approval.

Article 6. In each five-year period, a minimum of 20 percent of the Fund's net resources shall be applied, directly or through agreements with legally constituted entities (public or private) in the execution of the social assistance program for workers of the sugarcane and sugar industry as mentioned in Article 3, Item (c), together with specific budgetary resources.

Article 7. The budget for investment of the receipts of the Fund as formed in each harvest, and within the provisions of Article 3 of this decree, shall be allotted as follows:

(a) Up to 80 percent of the Fund's financial resources may be used to guarantee the execution of export financing contracts (Article 6, letter (a));

(b) The balance of the resources will be used for the programs referred to in letters (b) and (d) of Article 3, but only after at least 20 percent, according to provisions of Article 6, has been set aside for use in the social assistance program for workers of the sugar cane and sugar industry (article 3, letter (c)).

Article 8. At the end of the agricultural year and at the time the production plan for the next crop is prepared, a balance sheet of the disposable resources remaining for investment in the subsequent period should be prepared, including the estimated revenues to be received, in order to orient the distribution of the total resources, according to provisions of the previous Article.

Article 9. The balance sheet referred to in the previous Article and the budget for operation of the program which is to be prepared periodically in accordance with Article 4, as well as the accounts of the Fund, will be submitted for approval to the Executive Commission of the IAA, as permitted by its legal attributes, the budget being designed to permit adaptation to the program.

Article 10. The balance sheet of the Fund will be submitted annually to the Executive Commission of the IAA for examination and approval, and later transmittal to the Federal Court of Accounts (Tribunal de Contas).

Article 11. Within 60 days the Executive Commission of the IAA will submit regulations for this decree to the Minister of Industry and Commerce for approval.

Article 12. Decree N-51104 and 51148 of August 1 and 5, 1961, respectively, as well as any other provisions to the contrary, are hereby revoked.

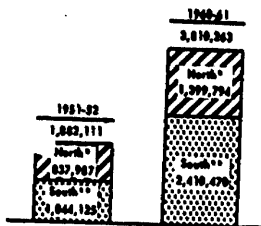
Article 13. This decree shall become effective on the date of its publication.

**SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL
1960-1961**

3,810,263 Short Tons, Raw Value



PRODUCTION GROWTH
Short Tons, Raw Value



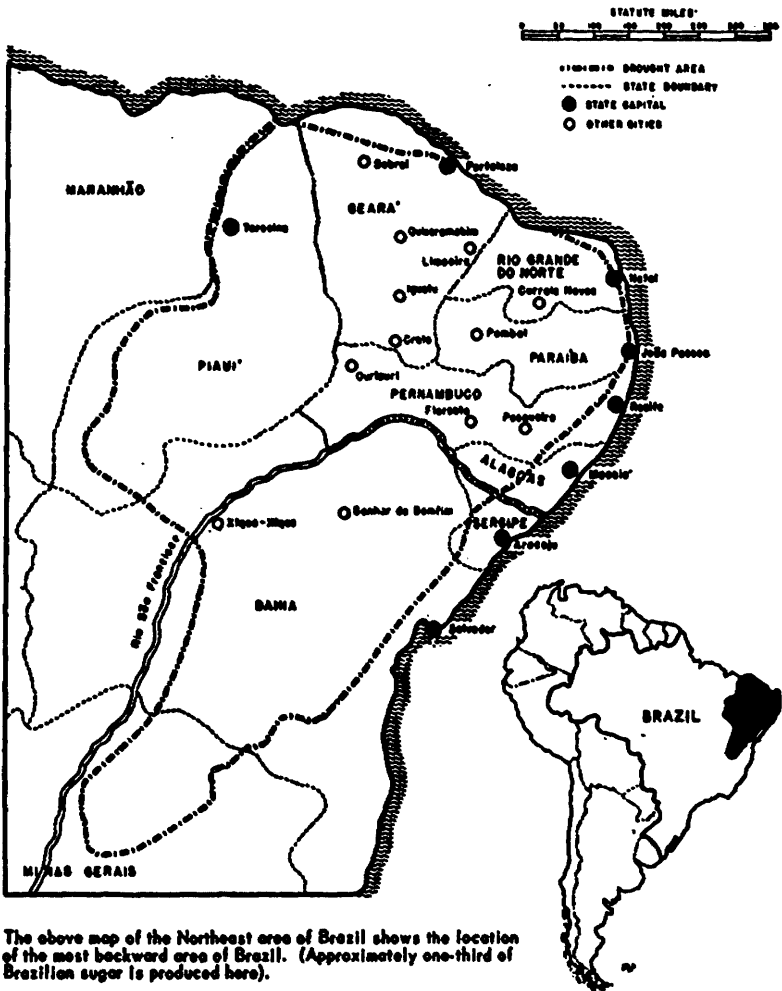
PRODUCTION 1960-1961

	Short Tons (Raw Value) Thousands	Percent of Total
ALL BRAZIL	3,810	100.0
NORTH*	1,399	36.7
Rio Grande do Norte.....	19	.5
Paraíba.....	45	1.2
Pernambuco.....	664	23.3
Alagoas.....	354	9.3
Sergipe.....	55	1.4
Bahia.....	74	2.0
Others.....	3	.1
SOUTH**	2,410	63.3
Minas Gerais.....	140	3.7
Espírito Santo.....	14	.4
Rio de Janeiro.....	470	12.3
São Paulo.....	1,600	44.1
Paraná.....	85	2.2
Santa Catarina.....	16	.5
Others.....	3	.1

*Production From September to April.

**Production From June to December.

Northeast Brazil Drought Area



The above map of the Northeast area of Brazil shows the location of the most backward area of Brazil. (Approximately one-third of Brazilian sugar is produced here).

The development of this area is being promoted three ways:

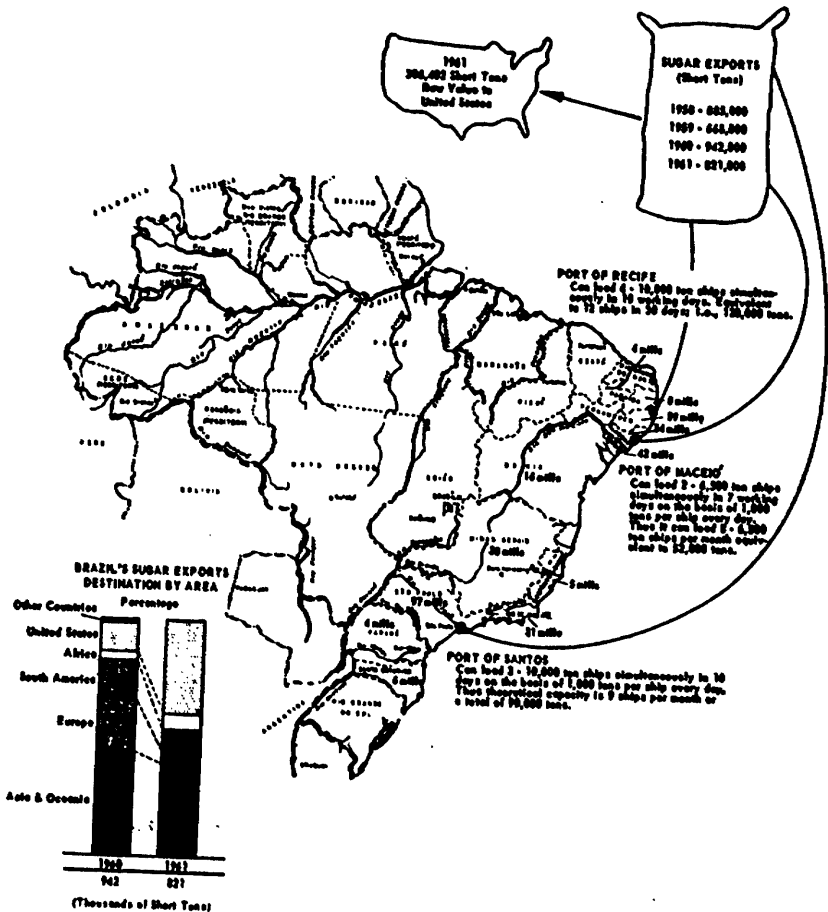
1. With the support of the United States AID Agency,
2. Through Brazil's self-help efforts contained in the SUDENE* Program supported by President Kennedy,
3. Brazil's self-help through the sugar fund resources:
 - (a) A tax of Cr.\$ 50 per bag for sugar
 - (b) A skimming of the premium on U.S. sugar exports

*SUDENE - Superintendency for the Development of the Northeast (Superintendencia do Desenvolvimento do Nordeste), was established by Congressional action in December 1959.

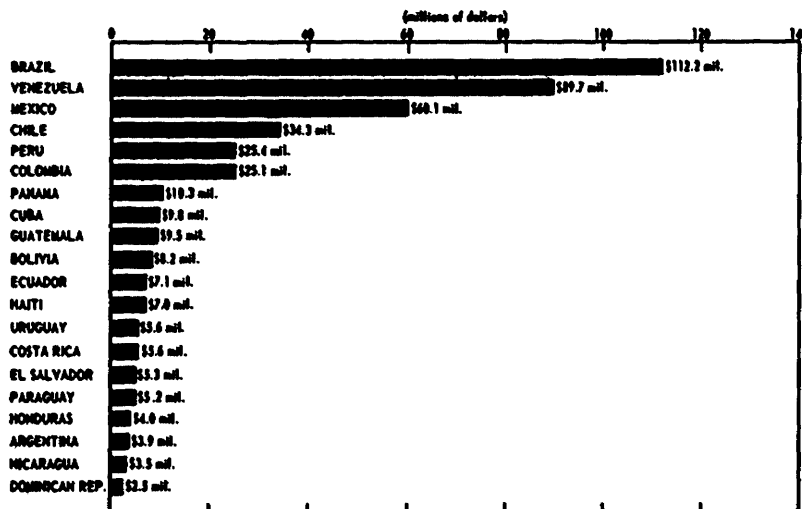
In May 1961, Brazil's President pledged substantial government aid to the Northeast. This agency was granted not less than 2% of the tax revenues of the Federal Government as well as supervisory powers over the expenditure of government agencies operated in the Northeast.

The SUDENE program covers about one-third of the Population of Brazil.

SUGAR MILLS LOCATION IN BRAZIL
368 Mills - Export by Area 1958-1961

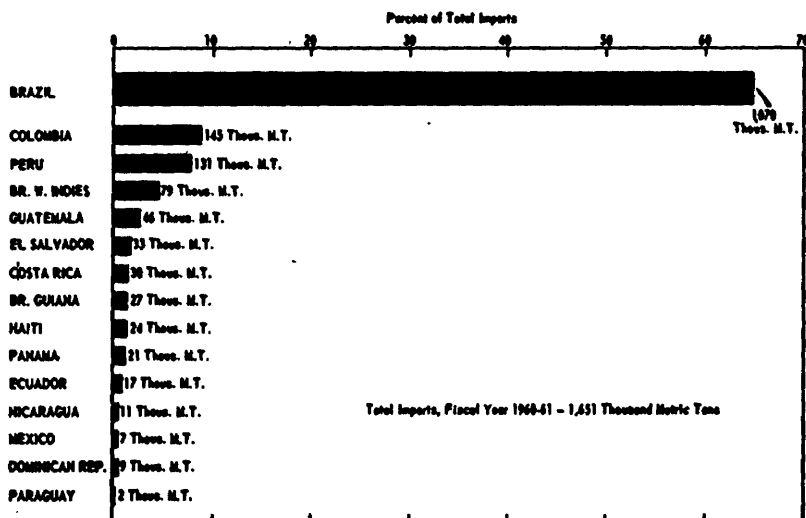


**Brazil was the Largest Importer
of United States Agricultural Commodities
in Latin America—in 1961**



SOURCE: Foreign Crops and Markets, U.S.D.A. March 5, 1962 - page 22.

**Brazil is the Largest Importer of U.S. Wheat*
Among the Western Hemisphere Countries Receiving
Non-Quota Sugar Allocations in 1961**



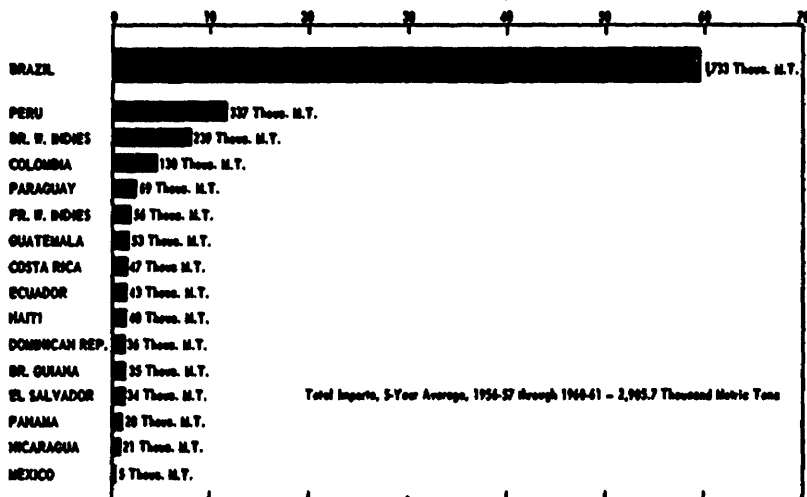
*Including Flax

SOURCE: U.S. Department of Agricultural Service Reports M-53 and Foreign Crops and Markets.

**Brazil Alone Imports More Wheat Than the
Balance of the Western Hemisphere Countries Below Combined**

IMPORTS OF WHEAT FROM ALL COUNTRIES*

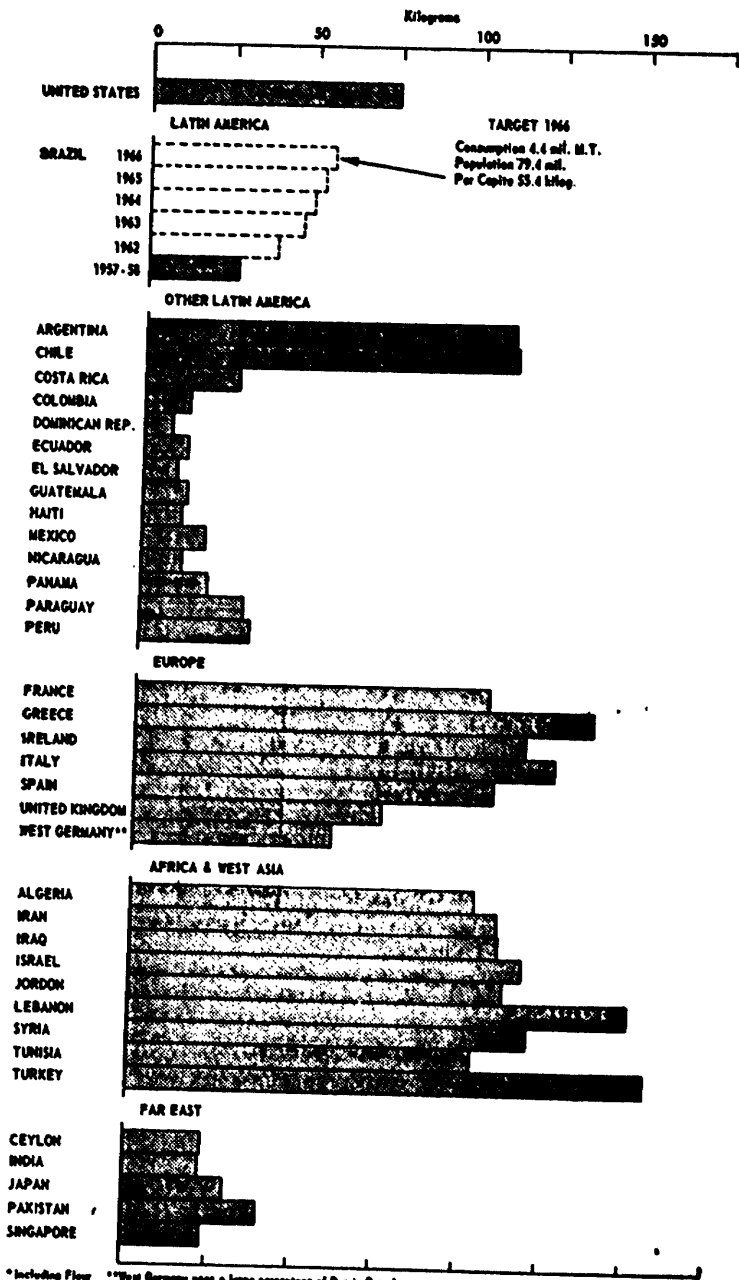
Percent of Total Imports



*Including Flour

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service Reports H-53 and Foreign Crops and Markets.

Wheat² Per Capita Consumption 1957-58

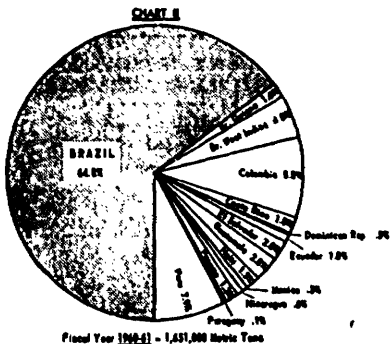
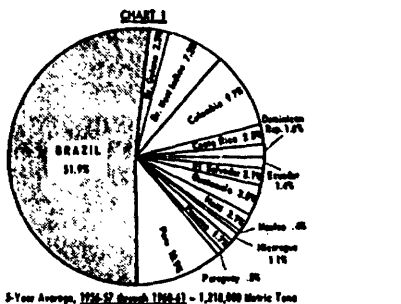


* Including Flour **West Germany uses a large percentage of Rye in Bread.

SOURCE: Foreign Agricultural Service, U.S. Department of Agriculture

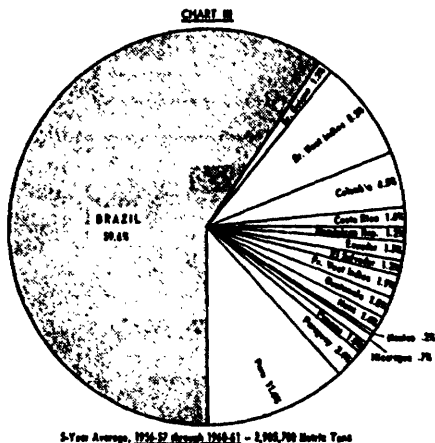
Brazil is the Largest Importer of U.S. Wheat Among the Western Hemisphere Countries Receiving Non-Quota Sugar Allocations in 1961

IMPORTS OF WHEAT FROM THE UNITED STATES*

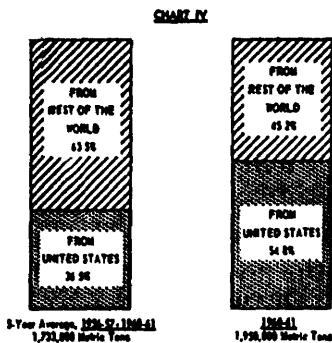


Brazil alone imports more wheat than the balance of the Western Hemisphere countries below combined.

IMPORTS OF WHEAT FROM ALL COUNTRIES*



BRAZILIAN IMPORTS OF WHEAT-ALL SOURCES*



*Including Flour

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service Reports B-28 and Foreign Crops and Markets

EXHIBIT X

TABLE 7.—Centrifugal sugar: Projections of foreign supplies available to the United States, under various price assumptions, 1970^{1,2}

[1,000 short tons, raw value]

Country	A (25 percent lower)	B (no change)	C (25 percent higher)
U.S. quota holders:³			
Costa Rica.....	30	40	45
Dominican Republic.....	800	800	700
Haiti.....	10	30	35
Mexico.....	600	700	900
Nicaragua.....	35	55	55
Panama.....	10	15	20
Peru.....	300	350	450
Philippines.....	1,000	1,400	1,600
Taiwan.....	350	450	550
Total, U.S. quota holders.....	2,835	3,740	4,365
Central and South America:			
Argentina.....	110	280	325
Brazil.....	1,500	1,900	2,300
Colombia.....	0	15	20
Ecuador.....	50	60	70
El Salvador.....	6	15	20
Guatemala.....	15	25	30
Paraguay.....	10	20	25
Total, Central and South America.....	1,691	2,288	2,790
Commonwealth:			
Australia.....	500	700	1,000
Fiji.....	100	300	300
British Guiana.....	150	200	250
British Honduras.....	20	30	35
Federation of West Indies.....	225	300	400
India.....	100	200	300
Mauritius.....	175	200	225
Union of South Africa.....	225	325	425
Total, Commonwealth.....	1,495	2,155	2,935
West Europe:			
Belgium.....	15	50	75
Denmark.....	35	60	70
France and territories.....	75	200	300
Germany, West.....	65	75	100
Ireland.....	10	10	15
Italy.....	0	0	75
Netherlands.....	35	60	70
Total, West Europe.....	235	455	705
Other:			
Indonesia.....	0	0	100
Turkey.....	50	100	125
Total, other.....	50	100	225
Grand Total.....	6,306	8,788	11,020

¹ Projections of foreign supplies available to United States are based on specific assumptions. See text p. — for statement of assumptions.

² Price assumptions relate to U.S. import prices in relation to 1969 levels.

³ Excludes United Kingdom, Canada, and Hong Kong. British Guiana, Belgium, and the Netherlands, which also have small U.S. quotas, are shown in other groupings.

Source: Sugar and Tropical Products Branch, FAS, USDA, Dec. 15, 1960.

SUPPLEMENTAL INFORMATION TO CONFIRM THE STATEMENT OF ALBERT S. NEMIR ON BEHALF OF THE BRAZILIAN SUGAR ALCOHOL INSTITUTE, OF THE BRAZILIAN GOVERNMENT'S WILLINGNESS TO COMMIT THE PROCEEDS OF SUGAR FOR WHEAT UNDER A 5-YEAR PROGRAM, AS REFERRED TO IN THE STATEMENT OF ALBERT S. NEMIR BEFORE THE COMMITTEE ON AGRICULTURE HEARINGS ON H.R. 11730

(A true copy of the official confirmation of Brazil's commitment as transmitted to the Department of State on May 25, 1962, is reproduced below.)

No. 197/842.6(42) (22)

The Brazilian Embassy presents its compliments to the Department of State and has the honor of submitting the following:

2. During the past two years studies have been made both in the United States and in Brazil regarding the possibilities and the advisability of expanding the consumption of wheat in Brazil and of expanding exports of sugar from Brazil to the United States.

3. In December 1961, during the discussions held by the President of the Sugar and Alcohol Institute of Brazil, Ambassador Barbosa da Silva, with officials of the Departments of State, Agriculture, and the Treasury and the "Food for Peace" and AID agencies, a number of possible formulas were examined and, subsequently, a letter from the Brazilian Ambassador in Washington was sent, January 3, 1962, to officials of the above-mentioned sectors of the U.S. Government, summarizing Brazilian views with an attached memorandum outlining proposals for the first semester of 1962 and for the long-range period.

4. On February 12, 1962, the Department of Agriculture announced that "some importation of sugar would be authorized from countries agreeing to purchase additional U.S. agricultural commodities" (USDA 552-62) and on March 12, 1962, the Embassy submitted, in its note No. 82, a proposal for the sale, in the first semester of 1962, of up to 300,000 metric tons of sugar against purchases of wheat, the total FOB value of which would be the total FOB value of sugar authorized for import. On April 19, 1962, an Agricultural Trade Agreement was signed, providing for the importation by the U.S. of 50,000 short tons of Brazilian sugar and the purchase by Brazil of 85,000 metric tons of wheat from the United States.

5. In the meantime, during President Goulart's recent visit to Washington, a request for the negotiation of a long-term agreement for the supply of U.S. P.L. 490 wheat to Brazil was examined at the highest levels with United States officials and was favorably received by President Kennedy. Similarly, on that occasion, Brazilian expectations regarding access to the U.S. sugar-importing market were emphasized.

6. In line with the action mentioned in the above paragraphs and having in mind the relatively close date of expiration of the "Sugar Act of 1948, as amended" discussions were engaged in between representatives of Brazilian sugar interests and United States wheatgrowers which resulted in an agreeable formula for relating purchases of U.S. wheat by Brazil to sales of Brazilian sugar to the U.S. consistent with the export and supply management objectives of U.S. and Brazil wheat and sugar interests. A copy of the memorandum of understanding outlining such a formula is attached.

7. The memorandum indicates the basis for a five-year program of parallel transactions in U.S. wheat and Brazilian sugar, setting up a target for purchases of U.S. wheat by Brazil during 1962/1966 at 11,380,000 metric tons (assuming consumption increases at the rate of 10 percent per year) and a target for sales of Brazilian sugar to the U.S. at 776,000 short tons per year during the same period.

8. As indicated in paragraph 6 of the formula outlined in page 8 of the attached memorandum, its provisions were to be submitted to the concerned agencies of the Brazilian Government. The program has been approved in principle and the Embassy has been instructed to notify the proper agencies of the U.S. Government of the Brazilian Government willingness to negotiate a five-year agreement to purchase wheat from the United States along the lines of the above-mentioned formula, under the assumption that the system of quotas by countries now prevailing in the "Sugar Act" may be preserved and that Brazil be granted a substantial basic quota.

9. It is understood that the five-year program would have to be readjusted to the extent that (a) the amount, nature, or duration of the sugar quotas attributed to Brazil differ substantially from what is envisaged in the program; (b) changes in P.L. 490 or the availability of wheat to Brazil under the different

titles of that law make it incompatible with the implementation of the program; (c) the actual experience in Brazil regarding the rate of increase in wheat consumption under conditions of free availability does not correspond to the targets of the program. (By free availability what is meant is the suspension of restrictions to imports but no undertaking to artificially stimulate consumption.)

10. In the event that Brazil is not granted a quota in the amount envisaged in the program, Brazil would still be willing to earmark a part of the proceeds of the sales of sugar to the purchase of U.S. wheat in order to implement a program.

11. It is to be hoped, however, that the amount of the sugar exports to the United States will be of a level compatible with the large-scale scope of a mutually beneficial program, and it is felt that adequate implementation will be achieved if the U.S. prefers to establish the Brazilian basic quota in an amount in excess of, or in the order of, 300 or 400 thousand short tons.

12. The purpose of the program is to provide the means of permitting Brazil to gradually come to an adequate level of consumption of wheat by expanding imports from the U.S. over and above present levels without interfering with the present or projected pattern of purchases from other sources and, at the same time, preserving a margin for the development of domestic production.

WASHINGTON, May 25, 1962.

Mr. NEMIR. Thank you for this opportunity to be heard.

Senator DOUGLAS. Thank you, Mr. Nemir.

May I ask if the expropriation without compensation of the I.T. & T. property in Rio de Sol is the only instance of expropriation by a Brazilian state of American property?

Mr. NEMIR. Senator Douglas, I think you said expropriation without compensation. Actually, this problem that we have had in the House and here—the first action of the Federal Government was to take this action out of State hands and see that it was handled properly, and that compensation was given in accordance with the laws of Brazil. That was the action taken, which we documented in our testimony before the House.

Senator DOUGLAS. Has I.T. & T. received compensation?

Mr. NEMIR. They will receive compensation, yes, sir.

Senator DOUGLAS. Fixed by whom?

Mr. NEMIR. Well, by negotiation with the Federal Brazilian Government.

Senator DOUGLAS. Of Brazil?

Mr. NEMIR. Yes, sir.

Senator DOUGLAS. Have there been any other instances of expropriation or nationalization of American property?

Mr. NEMIR. Not others—but others provided for.

This is what I filed all these reports about.

Senator DOUGLAS. What are the other instances besides the telephone property?

Mr. NEMIR. Well, the one that received—the most recent one, that is the basis of this press release, which is a decree that Brazil recently passed which was at the request of an American power company who had gone to Brazil and wanted a basis for selling—model after what they had done in other countries—Colombia, Mexico, Argentina. I would read this here. It won't take but a moment.

With the purpose of protecting foreign investments in Brazil, the Brazilian Government issued a decree regulating expropriations in that country. It is based on a proposal submitted by the largest American investors in Brazil—

Senator DOUGLAS. What is this largest American company?

Mr. NEMIR. American Power. We have in our testimony before the House. It is the American Power Co.

I will just finish this first paragraph.

It is based on a proposal submitted by the largest American investors in Brazil and in line with similar expropriation issued in the past by Mexico, Argentina, and Colombia. The new decree is also a result of mutual understanding on the subject arrived at high level during the visit of President Goulart to the United States last April.

Senator DOUGLAS. Well, I am still not clear. What other industries have been taken over by the Brazilian Government or by the states?

Mr. NEMIR. I do not believe there are any. I think the I.T. & T. is the case.

Senator DOUGLAS. I see.

Now, would you be agreeable to an amendment of the Cooley bill to say that the quota will be granted provided the compensation is submitted to an international court?

Mr. NEMIR. Yes, sir, we have no problem with that amendment.

Senator DOUGLAS. You would be willing to have the case adjudicated by an international tribunal?

Mr. NEMIR. If that is what it provides, and it is fair to all countries and no discrimination involved, yes, sir, we will agree to it.

Senator DOUGLAS. Are you speaking for the Brazilian Government in this connection, or simply for the Sugar and Alcohol Institute?

Mr. NEMIR. No, sir—I guess I am not speaking for the Brazilian Government. I am speaking for the Sugar and Alcohol Institute—which is an entity of the Government.

Senator DOUGLAS. Mr. Nemir, Brazil has not previously had a quota.

Mr. NEMIR. No, sir, it has not.

Senator DOUGLAS. The Cooley bill gives it a permanent quota of 190,000 tons a year, a temporary quota of 150,000 tons, or a total of 340,000 tons. This differential over the world price is \$56 a ton. The value of the subsidy over the world price annually is \$19 million, and over 5 years is equal to \$95 million.

You want to have this increased to 750,000 tons a year, which will be a subsidy of approximately \$44 million a year, or \$220 million over the 5 years.

Now, aren't you asking quite a lot?

Mr. NEMIR. Senator Douglas, I think the Brazilian proposal eliminates the question of subsidy, because we are giving back what we are getting. And when you consider the cost of carrying the wheat and in terms of losses, interest, all, I think it is practically dollar for dollar.

Senator DOUGLAS. You would sell your sugar at American prices, isn't that true?

Mr. NEMIR. Yes, sir. And we would buy the wheat for the world price.

Senator DOUGLAS. The world price of wheat is less than the American price.

Mr. NEMIR. That is quite true.

Senator DOUGLAS. So you would be selling at an inflated American price and buying at a deflated world price.

Mr. NEMIR. We will buy at the world price.

Senator DOUGLAS. Then why not sell at the world price?

Mr. NEMIR. Well, that question is another question.

Senator DOUGLAS. Well, I think it is an integral part of the question. Here you want to buy and simply pay the world price, which is less than the American price. But you want to sell at the American price which is higher than the world price.

Now, to use the old illustration, if it is salt for the goose, then why not for the gander? If you want to buy at a world price, why not sell at a world price?

Mr. NEMIR. Well—

Senator DOUGLAS. Or do you think Uncle Sam is someone that can always be taken, and that Members of Congress and of the administrative agencies are either softhearted or softheaded, one or the other?

Mr. NEMIR. Well, Senator Douglas, I have a little bit different reasoning for this sugar—the reason for the price. If you permit me—I know the time is short.

Senator DOUGLAS. No, I'm going to stay here until you finish.

Mr. NEMIR. I would like to make just a personal statement, then, if I may.

I feel that this is a rather risky time for the United States to assume a surplus will exist under world prices. And I think it is the obligation of the Congress to insure that in this particular period that the incentives are not only sufficient all the way around—because I happen not to share the view that there is a surplus. There has been in the last year or so—

Senator DOUGLAS. The international sugar statistics indicate a total surplus of around 10 million tons.

Mr. NEMIR. Sir, if I may comment on that—I think I should, because that is the basis of my thinking.

Senator DOUGLAS. You deny the international sugar figures?

Mr. NEMIR. I am familiar with them, Senator Douglas. Of course, these are my personal views. My views are that when we cut off Cuba we had quite a bit of luck in terms of stocks. The world production in Europe was a good one, an excellent one. We had 3 million tons additional production. We had 6½ million tons in Cuba. This year Europe is 3 million down, 2 million down in Cuba. That is a shift of 5 million. Every year the world consumption goes up about 2 million tons. So that is a shift of 9 million tons in 2 years. So I think the situation has changed. I would be a little bit afraid of a 5-year program if you did not have incentives.

Senator DOUGLAS. In our hearings, country after country has come in and said they have a surplus. I have not struck a single country that said they were in short supply. Are they telling fibs or what?

Mr. NEMIR. Well, I think I should also say, if you permit me—I know it is late—that the sugar world today has been living dangerously in terms of stocks, and that because of this surplus feeling. Once the feeling of surplus is removed, a change of idea of stocks to be carried can cause real trouble in sugar.

Now, I for one feel we should not be without incentives in this particular period, when the Communists have so much control of sugar—that the United States should have its ideas of how it is going to get its sugar through this next few years.

Senator DOUGLAS. The Senator from Arkansas is very experienced in these matters, and he has pointed out that if these countries get the quotas they will be reluctant to see Castro dethroned, and reluctant to see Cuba restored to grace, because if that happens and we restore to Cuba the quota which they had previously held, it will mean taking quotas away from the other countries. Therefore, it will be to their interest to see that Castro continues and that Cuba is not restored.

Do you think that may have accounted for the Brazilian attitude toward Castro? Brazil has been one of the countries which has refused to apply sanctions to Castro, for fear that if sanctions were applied to Castro, he might be ousted, and then Brazil would not be able to sell as much sugar? Isn't this a possible explanation for the very puzzling action of Brazil—on the one hand saying they are friends of the United States, on the other hand saying they will do nothing to oust Castro?

Hasn't the Senator from Arkansas put his finger on an extremely important issue here?

Mr. NEMIR. I would not want to debate with the Senator from Arkansas on foreign policy. But I would have to take a different issue with you on that—that is the reason for the Brazilian position—or that a country of 75 million, and the size of Brazil would stoop to that sort of—I do not think they would, Senator.

Senator DOUGLAS. You do not think it would have had any effect on them?

Mr. NEMIR. No, sir; I do not.

Senator DOUGLAS. Or will not have any effect?

Mr. NEMIR. No, sir. They can go in and out of your sugar program with greater ease, I think, than most people—because with 4 million tons, with their consumption increasing every year, any cut-back later on that might be necessary for Cuba would not be disastrous. This question has been raised.

Well, if the Congress decides 4 years from now they want some of that sugar back and they are entitled to it—

Senator DOUGLAS. Is there any limitation upon the obligation which you think the United States has to other nations in the world? Do we have an obligation to come to the aid of every country in the world, with our almost unlimited amounts?

Mr. NEMIR. No, sir.

Senator DOUGLAS. You see, this afternoon we have heard very able pleas that we must help Mexico, the Philippines—and I agree that we are bound to the Philippines by treaty—that we must help Peru, and an appeal has been made for India. Mauritius and the Fiji Islands have appeared and said that they are necessary for the defense of the free world. British Honduras has come in. Now Brazil appears, Brazil which has confiscated our property and opposed our policy toward Cuba. And tomorrow? We have not exhausted this list. Where is the list of witnesses in the offing—Colombia is coming, South Africa, Dominican Republic, Queensland, Nicaragua, Puerto Rico—of course, we do have obligations to Puerto Rico—Haiti, and Ireland, which thus far has been left out, appears. It appears, and it wants its place at the festive board.

Then there are other countries, such as the French West Indies, Costa Rica, the Republic of China, Ecuador, Guatemala, Argentina,

Panama, El Salvador, Paraguay, and the Netherlands—all of whom are being given quotas, in some cases very appreciable quotas. They are so confident that they are not even coming in to make an appearance. But they are in the bill, all right.

The American consumers are being asked to shell out for those foreign producers all over the world.

Now, is there some limit?—Isn't there some limits upon the moral responsibility of the United States? Isn't there some limit upon our economic capabilities?

Mr. NEMIR. Well, Senator Douglas, we are not asking—the United States needs the sugar. We are offering the trade, which we think is reasonable. I am not talking about what price—if you think the price of sugar is reasonable at $2\frac{1}{2}$, and the United States decides that it wants to set up a sugar program on that basis—we are not asking for a price, we are asking for a fair price. I do not think your $2\frac{1}{2}$ cents or 2.75 can be proven to be a fair price.

Senator DOUGLAS. Why not? It is the world price. What do you get for your sugar which you sell in the free world market now?

Mr. NEMIR. Well, until the Castro period it was between 3 and $3\frac{1}{2}$.

Senator DOUGLAS. You are asking the United States to pay you $6\frac{1}{2}$.

Mr. NEMIR. After Cuba was out, it went down as low as $2\frac{1}{4}$, now about 2.75. That does not mean tomorrow or 6 months from now it will not be up to 4, 5, or 6 cents.

Senator DOUGLAS. If it does, then you will get this amount.

Mr. NEMIR. That is right. It is a decision as to whether you want to change the Sugar Act program or not. If that is what this issue really is. There is a substantial difference in an insurance program and the other. And the only point I made earlier was I did not think—

Senator DOUGLAS. I produced figures this morning to indicate that the American consumer in the last 15 years had paid \$4,100 million more to both domestic and foreign producers than market price. If this goes into effect, at existing prices, a further subsidy of \$2.5 billion will be paid.

Now, these are enormous sums. The issue has been imperfectly understood in past years, because it has been covered up with a lot of generalities. But the truth is now beginning to be known.

The American people are a generous people. No nation in history of the world has ever been as generous as we have been in other countries. And we want to keep on being so. But there is some limit—we owe some duty to our own people.

Mr. NEMIR. I think, Senator, I should simply repeat that this proposal of Brazil—it is a trade.

Senator DOUGLAS. I should be pointing out that you propose to sell sugar at about double the world price, and buy wheat at appreciably less than the world price. This is a David Harum horse trade.

Mr. NEMIR. I will have to admit if it is a lower price—

Senator DOUGLAS. In other words, you are not willing to trade in terms of a world price. As a matter of fact, I am sort of opposed to this two-sided trade anyway. It breaks up world trade. It ties nations to bilateral agreements as opposed to multilateral agreements and breeds more ill will than it creates good will.

Mr. NEMIR. Excuse me, sir. This is normal trade.

Senator DOUGLAS. Now, Mr. Nemir, I have to ask you an unpleasant question; namely, what are your fees?

Mr. NEMIR. The fee for the firm is \$25,000 a year.

Senator DOUGLAS. Is there a side agreement?

Mr. NEMIR. No, no side agreement. As a matter of fact, I am new at this lobbying business. We registered in March, I think—March or April—and the fee is to take care of all expenses. It is our judgment of a budget.

Senator DOUGLAS. Don't you get something in addition?

Mr. NEMIR. We will get a small fraction; yes, sir.

Senator DOUGLAS. What is the small fraction?

Mr. NEMIR. Well, it is taxes, less a quarter of a percent—it is about—it figures about an eighth—with a limitation—it has a ceiling—plus some fractional, one-eighth—it works out about one-eighth to one-fourth, after you take off taxes.

Senator DOUGLAS. One-eighth of one-fourth of what?

Mr. NEMIR. Of the tonnage.

Senator DOUGLAS. Well, now—tonnage will be \$110 a ton, roughly.

Mr. NEMIR. No—one quarter of 1 percent of—

Senator DOUGLAS. 1 percent of that will be \$1.10 a ton. Now, what is your percentage?

Mr. NEMIR. Well, the fee—excuse me, sir. The fee is against that. First there is a percentage of setup fee, and then the minimum is \$25,000. That counts against that.

Senator DOUGLAS. This is a minimum of \$25,000 a year, plus what?

Mr. NEMIR. Plus whatever fraction of a percent is of the tonnage over \$25,000, with a limitation not yet decided, and we have a tax problem—there is a tax in Brazil on this. I'm sorry, sir, but that's the way it is. I have not settled it myself.

Senator DOUGLAS. Just a moment. First let's get this percentage. What is the percentage?

Mr. NEMIR. One-quarter.

Senator DOUGLAS. One-quarter of 1 percent?

Mr. NEMIR. Less 30 percent, less probably another 10 percent.

Senator DOUGLAS. Let's get the quarter of the percent. One-quarter of a percent of what? Of the price per ton?

Mr. NEMIR. Of the value per ton of sugar in Brazil.

Senator DOUGLAS. The value per ton—

Mr. NEMIR. This is a Brazilian contract, based upon the value of sugar in Brazil.

Senator DOUGLAS. In terms of American price.

Mr. NEMIR. Yes, sir.

Senator DOUGLAS. Well, that would be roughly what?

Mr. NEMIR. About a hundred dollars.

Senator DOUGLAS. A hundred dollars a ton?

Mr. NEMIR. Yes, sir; it is a metric ton.

Senator DOUGLAS. Now, you get one-eighth of a percent of that, is that right?

Mr. NEMIR. No, sir. It is one-quarter.

Senator DOUGLAS. That's 25 cents a ton.

Mr. NEMIR. Yes, sir. Then reduce that—

Senator DOUGLAS. Wait a minute. We have to take one step at a time.

Multiplied by 340,000 tons it comes, according to my figures, to \$85,000.

Mr. NEMIR. Yes, sir. Then you have to take 30 percent off for Brazilian taxes.

Senator DOUGLAS. According to my figures, that is \$25,500—leaving \$59,500.

Mr. NEMIR. Reduce that 10 percent, because it is metric tons, and not short tons in our contract.

Senator DOUGLAS. You say you are being paid in short tons?

Mr. NEMIR. No, sir. Metric tons.

Senator DOUGLAS. I see, 340,000 short tons would be less than 340,000 metric tons. It would be about—

Mr. NEMIR. Roughly 300,000, metric tons.

Senator DOUGLAS. Deduct roughly 10 percent—which would be \$5,950—\$53,550 contingent. Now, is that in addition to the \$25,000?

Mr. NEMIR. No, sir; that goes against it.

Senator DOUGLAS. So roughly, if you get nothing, if the administration bill is passed, you get \$25,000.

Mr. NEMIR. That is right.

Senator DOUGLAS. If the Cooley bill is passed, you get \$53,550.

Mr. HATHORN. It is on the sugar sales here—the tonnage sold in the United States.

Mr. NEMIR. Yes. I think that is pretty close to right, Senator. I think that's fairly close.

Senator DOUGLAS. Just a moment.

Mr. NEMIR. That is before taxes, I believe.

Senator DOUGLAS. No, no, it includes the Brazilian tax of 30 percent. You see, it would have been \$85,000. You deducted 30 percent for the Brazilian tax.

Mr. NEMIR. Yes, sir. That includes all expenses, sir.

Senator DOUGLAS. I am being very generous in this, because Brazilian tax, of course, will decrease the tax which you would have to pay in the United States.

Mr. NEMIR. I am talking about the Brazilian tax before the U.S. tax. I am not talking about the U.S. tax.

Senator DOUGLAS. But the fact that you pay a Brazilian income tax will diminish the tax you have to pay in the United States, because under the international agreement income taxes paid abroad are credited against income taxes owed at home. So you may get out of paying any American taxes on this.

Mr. NEMIR. I don't think so. We have not figured it out that way.

Senator DOUGLAS. Now, if you get what you want, 750,000 tons, this will be \$175,000 a year—

Mr. NEMIR. Our contract does not go on forever, Senator.

Senator DOUGLAS. Wait a minute. It goes on for each of 5 years; does it not?

Mr. NEMIR. No, sir. We only have a 2-year contract.

Senator DOUGLAS. It goes on for 2 years.

Mr. NEMIR. Yes, sir.

Senator DOUGLAS. Let us summarize this now.

Mr. NEMIR. Before you summarize, may I say what is the intent of this contract?

Senator DOUGLAS. I am trying to get at the reality, and then we will come to the intent.

Mr. NEMIR. All right.

Senator FULBRIGHT. Mr. Chairman—will the chairman yield? I wonder if this agreement—the registration of this contract is supposed to be registered with the Department of Justice, and it is a public document. I wonder if it is not proper for him to supply the committee for the record a copy of his agreement. I think that might clarify it.

Mr. NEMIR. Yes, sir; I think it would. I might say this, though. A contract with the Brazilian Government requires Portuguese and English translations, and 4 or 5 copies. We still have to finish the contract in Brazil—although I can supply the committee with where we are today. But there are some modifications.

Senator DOUGLAS. Well, let me summarize that.

If you get the 750,000 tons at 25 cents a ton that would be \$175,000. If you pay a Brazilian tax of 30 percent on that—this is on a yearly basis—that would give you \$52,500, or \$122,500 in 2 years, and that \$52,500 Brazilian tax would diminish your American tax by that amount. When we have asked others about their fees we have not deducted the tax they may owe on it. That is very important to know. And 10 percent of that would be \$12,000, roughly, or you would get \$110,000.

Now, you say that is for 2 years? That would be \$220,000.

Now, Mr. Gardner said he had hoped that his contract might be renewed if the agreement with Mauritius continued for 5 years. Do you have any gentleman's understanding that at the expiration of your contract it will be renewed for additional years?

Mr. NEMIR. Senator Douglas, this involves the concept of how much money should be spent on—on a foreign government's interest in a particular market. Now, Brazil shipped last year 300,000 tons for the first time. The previous year 100,000 tons. They had no sugar representation here.

Senator DOUGLAS. Did you get a commission on that?

Mr. NEMIR. No, sir. But they realized the void. So they wished, like any other sugar group, to have an office here, and their intention is to go toward a permanent office here to handle affairs throughout the year, not just for lobbying, but all the expenses and development work that should be done for a country of that size. And this is to set that office up, not as a fee to us.

Senator DOUGLAS. You think you will be displaced by this Brazilian official office after a time?

Mr. NEMIR. Well, I hope to stay with it. I am after permanent representation.

Senator DOUGLAS. You hope the contract will be renewed in some form?

Mr. NEMIR. Yes, sir; we certainly do.

Senator DOUGLAS. Well, now, what about the wheat agreement? If the wheat agreement goes through, would you get a commission—a brokerage fee on the sale of the purchase of wheat by Brazil?

Mr. NEMIR. No, sir; not one penny. The wheat thing is something that I worked with for 3 years. I am familiar with it. It is a clean, straight offer to the United States, designed to raise the consumption

of wheat in Brazil. It is needed. And all they need is foreign exchange to buy it.

Senator DOUGLAS. You would not get anything in addition.

Mr. NEMIR. Not a penny; no, sir.

Senator DOUGLAS. Has Brazil paid anybody a fee under wheat during the last few years?

Mr. NEMIR. No, sir.

Senator DOUGLAS. No one?

Mr. NEMIR. No one—not to my knowledge, Senator. And I am fairly familiar with it.

Senator DOUGLAS. We raise these questions, not to be unpleasant. This is not illegal of course—we want that understood. But it indicates with these fees being paid, that we create lobbyists in this country inevitably to increase purchases from these nations on terms as favorable to these other nations as possible. And since these claims are being furthered by American citizens, it creates a group inside the United States whose financial interests are adverse to the Nation as a whole and favorable to other countries.

Now, as I say, this is legal. I am not certain that it is unethical. But it is something that should be known, so that we can understand the pressures which arise and so that the general public may be prepared. That is why some of us have been asking these questions.

Do you want to reply to this?

Mr. HATHORN. Senator Douglas, I think the fact that Brazil enters into the market with this tremendous tonnage of sugar, and the possibilities are here of misunderstandings on the shipments of sugar coming in through the institute sales—the institute needs representation here that the American public will have access to. We have an obligation beyond presenting the views of Brazil to this committee. We have a legal obligation in case problems arise of duty, customs, or in suits with private importers here—we have that obligation to continue at no extra fee. And this is part of the thing that could lead to misunderstanding.

Senator DOUGLAS. But your fees increase—the more sugar we take from Brazil for a longer period of time. Is that not true?

Mr. NEMIR. Senator, that is not the reason for the problem. The reason for the contingency is the reluctance of a foreign government to establish the budget necessary to maintain an office. They just prefer it that way. I prefer the flat payment arrangement—at some point I hope to have one. It is not a thing that you design. It is a thing that you recognize as a reality.

Senator DOUGLAS. The Senator from Arkansas.

Senator FULBRIGHT. You say you were employed just this year?

Mr. NEMIR. Yes.

Senator FULBRIGHT. Who represented Brazil last year?

Mr. NEMIR. They did not have any representation. Yes, I believe they did—sorry.

Senator FULBRIGHT. Who was it?

Senator DOUGLAS. I think the record would show who appeared for Brazil. I personally do not know.

Senator FULBRIGHT. I am asking the witness—who was it?

Mr. NEMIR. I think it was Mr. Cox.

Senator FULBRIGHT. What did the Brazilian Government pay him—on what basis?

Mr. NEMIR. I'm sorry, I don't have that information.

Senator FULBRIGHT. You do not know?

Mr. NEMIR. No, sir.

Senator FULBRIGHT. Are you registered under the Foreign Agents Registration Act?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Did you register in Portuguese or English?

Mr. NEMIR. In English.

Senator FULBRIGHT. Have you a copy of what you registered?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Why can't you supply it to the committee?

Mr. NEMIR. I can. It is there. I thought you had it, Senator—sorry.

Senator FULBRIGHT. I asked a moment ago if you could make it available, and you said you did not know whether it was translated or not.

Mr. NEMIR. No, it is filed.

Senator FULBRIGHT. Does that registration agreement contain in it the details of your agreement?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Well, just for convenience—it is a public document. When you register with the Department of Justice, anybody is free to see it. But as a matter of convenience, I do not know why you could not make it available for this record.

Mr. NEMIR. Senator Fulbright, I thought you had it. I'm sorry.

Senator FULBRIGHT. Why did you think I had it?

Mr. NEMIR. Well, because—

Senator FULBRIGHT. I asked a moment ago. I thought you said you didn't know—you didn't know if you had one translated.

Mr. NEMIR. No; I said we still had—

Mr. HATHORN. Senator, we did not have it with us. We did not know you were going to ask these questions. We were here all day waiting to testify.

Senator FULBRIGHT. You heard me ask the other witnesses about this.

Mr. HATHORN. We had no opportunity to go get a copy and bring it in here.

Senator FULBRIGHT. You will supply it.

Mr. HATHORN. Yes, sir.

Senator FULBRIGHT. Mr. Chairman, I think that all these foreign lobbyists—they are usually Americans lobbying for foreign interests, such as you have so eloquently stated—I think all of these ought to be made a part of the record so we do know what this bill is generating in this field, because it is not only in this field, but it is in many other fields. I think it is something that the public does not know about. I would certainly suggest that these witnesses be requested to supply a copy of their agreements.

Senator DOUGLAS. Unless there is objection, I am going to ask the clerk of the committee to request from the Department of Justice copies of these agreements—not merely for those who appear—

Senator FULBRIGHT. I may suggest—I would like that it be requested from the individuals who appear, because many of the filings at the Department of Justice are quite inadequate and do not comply with the requirements of the law.

Senator DOUGLAS. Very well. We will do that. But I think in common fairness, we should also include representatives of countries which have received quotas but have not made a personal appearance. Otherwise, the hardy will be penalized and the wary will get off scot free.

Senator FULBRIGHT. I would like very much that you ask those also. You named some of them—for example, those who have not appeared, but did appear in the House.

Mr. Robert Chrisman, of the Netherlands, asking for an increase of 4,000 to 10,000. Mr. Irving Davidson of Ecuador, asking for a quota of 30,000, with none at all now. Miss Dina Dellale, representing the Costa Rican producers, 4,000 to 30,000 in the House. And Mr. Wesley McDonald, representing the Panamanian producers with an increase of 4,000 to 15,000. Mr. Arthur L. Quinn, representing the British West Indies, 84,000 to 100,000. And Mr. Walter Sterling Surrey, representing the French West Indies, from nothing to 40,000.

I think this is an integral part of this whole bill. We ought to know what it generates, what are some of the implications of the House bill.

Senator DOUGLAS. Since time is of the essence, I am going to ask the clerk to send telegrams immediately to all these representatives asking for submission tomorrow morning of their agreements.

Senator FULBRIGHT. I would also like, for my own information, to request the fees received by the representatives of the American producers—these various associations that have come in here and brought such pressures to bear upon increasing—

Senator DOUGLAS. I think that would be an excellent suggestion. I will ask the clerk to send telegrams to the beet sugar producers, to the cane sugar producers, to the refiners, to all groups.

Senator FULBRIGHT. To their lobbyists who have been working for this bill—their representatives, I should say.

Hawaiian Sugar Planters Association has one. You know them all. The clerk knows all of them.

I would like, Mr. Chairman, to ask permission to insert in the record at this point a list of the Sugar Act payments in excess of \$50,000 made to sugarcane and sugarbeet producers for the 1960 crop. I think it is also information that is very pertinent to this. These are the individual payments for the large amounts—running up as high as \$775,000, I may say, to one corporation; direct payment.

Senator DOUGLAS. I think it would be interesting if the Senator from Arkansas would read them aloud, so those present would have the benefit of this information.

Senator FULBRIGHT. Well, it is a long list. The largest one is the U.S. Sugar Corp. receiving \$775,000. Then there are a number of them in the neighborhood of \$500,000—Oahu Sugar Co., \$500,000—and so on. All of these direct payments total up to \$72,985,000.

(The information referred to follows:)

Sugar Act payments in excess of \$50,000 made to sugarcane and sugarbeet producers, 1960 crop

<i>Producer</i>	<i>Payment</i>
Domestic beet area: Newhall Land & Farming Co.....	\$51, 122
Mainland cane sugar area:	
Okeelanta Sugar Refinery, Inc.....	351, 403
South Coast Corp.....	303, 971
Southdown, Inc.....	186, 270
U.S. Sugar Corp.....	776, 121
Sterling Sugar Co.....	78, 772
Churchill & Thibaut.....	55, 577
Dugas & LeBlanc.....	60, 047
A. Wilbert's Sons.....	62, 090
Milliken & Farwell.....	73, 036
Savoie Farms.....	52, 391
Total, mainland sugarcane.....	1, 998, 678
Hawaii:	
Ewa Plantation Co.....	385, 747
Gay & Robinson.....	136, 279
Grove Farm Co., Ltd.....	275, 255
Hakalau Sugar Co., Ltd.....	155, 398
Hamakua Mill Co.....	212, 519
Hawaiian Agricultural Co.....	361, 632
Hawaiian Commercial & Sugar Co.....	980, 691
Hilo Sugar Co., Ltd.....	166, 446
Honokaa Sugar Co.....	230, 254
Hutchinson Sugar Co., Ltd.....	245, 923
Kahuku Sugar Co., Ltd.....	169, 559
Kekaha Sugar Co., Ltd.....	342, 187
Kilauea Sugar Co., Ltd.....	157, 254
Kohala Sugar Co.....	360, 695
Lihue Plantation Co., Ltd.....	424, 423
Laupahoehoe Sugar Co.....	229, 533
McBryde Sugar Co.....	220, 533
Oahu Sugar Co., Ltd.....	500, 089
Olokele Sugar Co.....	246, 705
Onomea Sugar Co.....	203, 218
Paauhau Sugar Co., Ltd.....	141, 281
Pepeekeo Sugar Co.....	174, 619
Pioneer Mill Co., Ltd.....	413, 127
Puna Sugar Co., Ltd.....	282, 364
Waialua Agriculture Co., Ltd.....	466, 215
Wailuku Sugar Co.....	233, 192
Total, Hawaii.....	7, 788, 757
Puerto Rico:	
Luce & Company, S. en C.....	590, 661
Sucesion J. Serralles and Wirahing & Co., S. en C., coproducers.....	370, 903
Heirs of Miguel Esteve Blanes, deceased, et. al., joint operators.....	187, 312
O. Brewer Puerto Rico, Inc.....	431, 530
Antonia Cabassa Vd. Fajardo, et.al., joint operators.....	111, 489
Miguel A. Garcia Mendez, Fredeswinda Ramirez de Arellano.....	69, 858
Antonio Roig, Sucra, S. en C.....	339, 403
Mario Mercado e Hijos, a partnership.....	108, 786
Jorge Gonzalez Hernandez, et.al., coproducers.....	58, 750
Heirs of Mario L. Mercado Parra, deceased; heirs of Mario L. Mercado Parra, deceased, and Gregorio Multedo and Southern Transport, Inc.....	95, 927
Ernesto Quinones Sambolin.....	63, 267

Puerto Rico—Continued

Heirs of Lucas P. Valdivieso, deceased.....	\$32,363
Quintero & Davila, Ltd.....	57,584
Waldemar Bravo.....	87,402
Ramon Gonzalez Hernandez.....	108,311
Total Puerto Rico.....	2,708,446
Virgin Islands: Virgin Islands Corporation.....	62,017
Total, all areas.....	12,609,020
Total 1960-crop Sugar Act payments for all areas.....	72,985,573

Senator DOUGLAS. Do I understand that the subsidy paid to those receiving more than \$50,000 a year comes to a total of \$72 million?

Senator FULBRIGHT. These are the domestic people, not the foreign. These are the ones the representatives of whom I have just asked to be put in the record what they are paid. This includes the Virgin Islands, Hawaii, the mainland sugar cane and domestic beet.

Senator DOUGLAS. I would like peruse this for my own information. I will not say edification.

Senator FULBRIGHT. I want to point out for the record that this is the direct cash payment. This is by no means the total subsidy, which is chargeable to the consumers of the United States. These are only the direct payments. It does not take into consideration the increased price which the consumer pays. That runs, you know, up to \$600 or \$700 million. But those are direct payments. I think it ought to be in the record for the information of the press and the country, because I don't think they understand the significance of this legislation to the country.

Mr. Nemir, I do not wish to belabor this point, but I think it is significant that what we are generating here—you just stated, because of the prospect of these great subsidies, you want to establish a new office—Brazil does.

Doesn't Brazil have quite a large Embassy here?

Mr. NEMIR. Yes, sir; it does.

Senator FULBRIGHT. Don't they have commercial attachés in their Embassy?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Why can't they handle business of this kind and present their case to the Government here? Is it only because the Congress is undertaking to set these quotas that it is necessary to hire people such as yourself to come to the Congress?

Mr. NEMIR. Well, I am not so sure that I would be a good one to answer that. I have been mostly in sugar for 25, 27 years.

Senator FULBRIGHT. You have many other clients besides Brazil?

Mr. NEMIR. Oh, yes; I do. This is the only foreign country I represent. But I think it would be a great risk for any country, under the present circumstances, not to be fully conversant with every detail of this complex sugar law.

Senator FULBRIGHT. When you say under the present circumstances, you mean when a committee of Congress is undertaking to dole out these quotas. If this was done in an orderly manner by the administration—

Mr. NEMIR. I'm sorry, Senator, I think for the last 2 years they have needed someone. They have had a public relations problem in their selling, and misunderstandings for the last 2 years.

Senator FULBRIGHT. To my knowledge, the United States does not employ private lobbyists to do our business abroad. We depend upon our governmental representatives, do we not? I have never heard of the United States hiring a lobbyist and paying him any contingent fees to obtain business in Great Britain, for example.

Mr. NEMIR. I think this is in the nature of a private business, a private American business—

Senator FULBRIGHT. Doesn't this arise primarily because a committee of Congress is undertaking to settle this matter, and therefore to meet that situation Brazil and all the others feel that it is necessary to hire special counsel, such as yourself, and all the others—

Mr. NEMIR. If you do not, you get left.

Senator FULBRIGHT. But if it was handled in the regular way, where the administration handled these matters, the commercial attaché at the Brazilian Embassy would be quite competent to go and see the Secretary of State or the Secretary of Agriculture and negotiate about such matters, would he not?

Mr. NEMIR. Senator, I am afraid I could not agree. I think it requires more time and attention. In fact, one person cannot follow this.

Senator FULBRIGHT. Well, how many people are in the Brazilian Embassy in this country?

Mr. NEMIR. Well, I'm sorry—15—

Senator FULBRIGHT. You have 15 down there?

Mr. NEMIR. They would probably have to hire Americans to do it.

Senator FULBRIGHT. I would assume they have very competent people.

Mr. NEMIR. They do.

Senator FULBRIGHT. I think the reason for this—it grows out of the nature of the way this has been handled. I can understand that it would be not only improper, but undignified for a diplomat to come over and plead his case before a committee of Congress. This is not customary. But actually the need for your services has grown out of the way this bill has been handled, has it not?

Mr. NEMIR. I would say the need has increased. I would not say it is entirely new.

Senator FULBRIGHT. Most of these applicants or representatives I do not think formerly ever appeared until the Congress had this great pie to cut up as a result of the Cuban quota being available, did they?

Mr. NEMIR. Senator Fulbright, since 1934, this is the first time where it has been necessary for the United States to go out into the world and find 3 million tons of sugar.

Senator FULBRIGHT. We have no trouble going out and finding it.

Mr. NEMIR. Well, I am not as confident as some are that it will be available in the next 5 years.

Senator FULBRIGHT. You do not have any doubt about it being available, do you?

Mr. NEMIR. It is available, at a price.

Senator FULBRIGHT. How much has Brazil increased its production during the past 5 years?

Mr. NEMIR. The testimony—the full testimony covers that point. It has gone up quite substantially in the last 10 years.

Senator FULBRIGHT. Fifty-four percent in the last 5 years.

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Although there was an excess of supply in the world.

Mr. NEMIR. May I tell you why that happened, since you ask the question?

There are two industries, two distinct industries in Brazil. One in the northeast has been there several hundred years, 500, 600 years. The new one in the south, which was necessary to supply sugar for the increased consumption in Brazil—which had been going up quite rapidly at the rate of about 5 or 6 percent a year—and it is the new industry in the south, where the potential for expansion is unlimited. So they had two industries.

Senator FULBRIGHT. I believe that is all, Mr. Chairman.

Senator DOUGLAS. Well, thank you.

I want to correct an impression which I gathered from the verbal statement of the Senator from Arkansas. It was made before I had seen the detailed list. The \$72,985,000 paid was the total of all cash payments. Of this, \$12,609,000 was paid to concerns which received over \$50,000. I made an erroneous statement of \$72 million.

The Senator from Arkansas mentioned the United States Sugar Corp., a mainland company, which receives \$775,000. There were two others that received over \$300,000. The total of mainland sugarcane payments amounted to \$1,998,678. The beet payments amounted to \$51,000 for that company. The Hawaiian payments amounted to a total of \$7,788,757.

It is interesting that the Hawaiian Commercial & Sugar Co. received \$980,691.

The Oahu Sugar Co., Ltd., \$500,089. Pioneer Mill Co., Ltd., \$418,127. Waialua Agriculture Co. Ltd., \$466,215.

In Puerto Rico, Luce & Co. received \$590,661. Sucesion J. Serralles, \$370,908. C. Brewer Puerto Rico, Inc., \$431,530. And there are various others.

The total payments in Puerto Rico amounted—to those over \$50,000—amounted to \$2,708,446.

Virgin Islands Corp., \$62,017.

The total for all those over \$50,000, \$12,609,020.

Since Senator Fulbright will not be able to be here tomorrow morning, at his request we would like to have Mr. G. Douglass Debevoise, representing the South Puerto Rico Sugar Co., testify.

Perhaps it would help if Senator Fulbright asks a few questions, since he cannot be here tomorrow, and then you can appear tomorrow and testify.

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO.

Senator FULBRIGHT. Mr. Chairman, I appreciate very much your giving me this opportunity to ask a few questions on this case. Because I did not anticipate we would meet tomorrow, I have some other engagements.

Now, Mr. Debevoise, you represent South Puerto Rico Sugar Co.?

Mr. DEBEVOISE. I am president of it.

Senator FULBRIGHT. As I understand it, about 25 percent of your business is in Puerto Rico, and about 75 percent of your production is in the Dominican Republic?

Mr. DEBEVOISE. That is correct.

Senator FULBRIGHT. You are interested in increasing in the Dominican Republic?

Mr. DEBEVOISE. Yes, I am, sir.

Senator FULBRIGHT. Can your company sell sugar to the United States at the world market price, as contemplated by the administration's bill, at a profit?

Mr. DEBEVOISE. No, sir.

Senator FULBRIGHT. Prior to this year, had you been selling the Dominican sugar at the world market price?

Mr. DEBEVOISE. We have been selling sugar largely to Great Britain, which market has disappeared owing to the competition of Iron Curtain country sugars. That market has disappeared. We have no subsidized market except whatever we are given by the United States.

Senator FULBRIGHT. Did your company sell sugar to the United States during 1960 without a quota premium?

Mr. DEBEVOISE. We sold sugar to the United States less 2 cents in 1960, and less 2¼ cents in 1961.

Senator FULBRIGHT. Well, does that mean it was without the quota premium?

Mr. DEBEVOISE. That means that it was without the quota premium. However, we are suing for that premium.

Senator FULBRIGHT. You are suing for it?

Mr. DEBEVOISE. In the Court of Claims, sir.

Senator FULBRIGHT. Do you have a provision in this bill regarding that amount that you are suing for?

Mr. DEBEVOISE. I have, sir, in my written statement which is presented—dealt with this at some length. I would like very much to have the privilege of giving the complete story on it, which I do not believe has been presented to you, Senator Fulbright, as yet, from reading the testimony to date. It will take a moment.

Senator FULBRIGHT. Go ahead.

Mr. DEBEVOISE. In December—

Senator FULBRIGHT. In order for the record—this is dealing with the provision in the House bill which provides for payment.

Mr. DEBEVOISE. Section 18.

Senator FULBRIGHT. Of \$22½ million.

Mr. DEBEVOISE. That is correct.

Senator FULBRIGHT. And that is the same amount involved in the suit?

Mr. DEBEVOISE. Our share of that, sir, was \$6,875,000.

Senator FULBRIGHT. All right, proceed.

Mr. DEBEVOISE. In December of 1961 I was in the Dominican Republic where I go six to seven times a year. The situation was extremely tense. They needed money very badly. I came up here and I reported, as I generally did, to Mr. Moscoso and others whom I had known in Puerto Rico. I have the greatest respect for Mr. Moscoso. I think he has been making a success of the Alliance for Progress.

Mr. Moscoso went down to the Dominican Republic in January and saw how desperate the situation was. He saw a chance to have this money returned quickly to the Dominican Republic.

In February, when I was down there again, he approached us and asked us if we would be willing to enter into an agreement with the Dominican Republic whereby they would receive all the dollars involved, and we would accept pesos, after the payment of taxes, which amounted to over 50 percent of the amount involved, and we would then be willing to expend these pesos on purchases which were in accord with the Alliance for Progress.

In our case, these purchases would be housing and roads.

We went to work and made an agreement with the Dominican Government—and my letter to them and their letter to me is in the Congressional Record, my testimony in the House. We assumed, naturally, that the State Department was supporting Mr. Moscoso. The Dominican Republic people obviously assumed that.

We came back and nothing happened. Month after month went by. This matter became a very, very important thing to the Dominicans. Nothing was done. They began to feel that this money, which had been taken from them—let us leave out the legal aspect—had been taken from them by the United States, and in my opinion rightly at the time, to keep it out of the Trujillo family's hands—it should now be returned, now that the Trujillo family left. This has not been done.

Finally one day the State Department asked us to come to Washington. We went there. They said to us, "We are now going to return this money, and we are going to return it through AID. But the only way we can do it is: (1) For you to give up your lawsuit; (2) the Dominican Government will then present its program to us which if approved, will call for the return of this money. This money cannot be used for any benefit for the South Puerto Rico Sugar Co. If any houses are built, they must be rented to you. If they are built on your land, the land must be given to the Government."

It was obvious to me, as it must be to you, Senator, that no American company could do that. This was as close to confiscation as anything I know, very frankly. We were asked to give up what we thought was a good claim, although the Department of Justice says we do not have a good claim—we differ on that.

Senator FULBRIGHT. Who said it was a good claim?

Mr. DEBEVOISE. We say it is a good claim.

Senator FULBRIGHT. I thought you said somebody in the Government.

Mr. DEBEVOISE. No, sir. The Department of Justice—we have been advised the Department of Justice does not consider it a good claim. The spokesman for the State Department told us that. We disagree.

Senator FULBRIGHT. It is before the Court of Claims now?

Mr. DEBEVOISE. It is, sir. But the point is this. Through no fault of ours, Senator, this matter has become a matter of tremendous importance to the Dominican people. It is no fault of the South Puerto Rico Sugar Co. I would prefer to be quietly in court suing away, without being mixed up in this thing. But the State Department brought it up originally, and they have reneged on it.

Senator FULBRIGHT. That is a very serious charge. I wish you would make it clear. Who reneged on it?

Mr. DEBEVOISE. I assume, sir, that Mr. Moscoso represented the Department of State when he approached us.

Senator FULBRIGHT. Mr. Moscoso really works for the AID administration, that is true.

Mr. DEBEVOISE. Correct.

Senator FULBRIGHT. Now, what did he say to you? He promised to return it to you?

Mr. DEBEVOISE. No. He asked us to make this arrangement with the Dominican Government, which we did, whereby we gave up any claim on our share of the dollars. We agreed to accept pesos and to spend them in the Dominican Republic for purposes which we believed would help and strengthen the Dominican Government, which we were anxious to save, and which has had a very difficult time, as you know.

This was not backed up by the State Department.

What I am saying, Senator, is that it has become a very unfortunate thing to the Dominican Republic. I believe we should save the Dominican Republic.

Senator FULBRIGHT. You also say Mr. Moscoso spoke without authority. Is that now what you are saying? That his superiors did not back up his statement, is that correct?

Mr. DEBEVOISE. I do not know what happened, sir. I got the letters which were asked for and which were forwarded to Mr. Moscoso in Washington. The Council of State in the Dominican Republic sent an official letter to me, which is in the Congressional Record. It is not normal for us to ask for any agreement with a sovereign government, except at the request of another government, I would think.

Senator FULBRIGHT. All right, proceed.

Mr. DEBEVOISE. That's the way the matter stands. The Dominicans have since decided—as I say, I am sorry to tell you the matter has become a matter of great moment to their pride—that they do not wish to receive the money through AID. They think this money was—should have been—held in escrow because the purpose—I also believe—was not to increase the wealth of the U.S. Treasury. I think it was to withhold the money from the Trujillo family. That family has disappeared from the Dominican Government. Therefore it is their feeling—which I share—that the money should be returned.

Senator FULBRIGHT. Well, that is before the court. Do I understand you to say you prefer to litigate in the court?

Mr. DEBEVOISE. I would have, sir, before this came up. Now I think that if we wish to save the Dominican Republic, I would prefer to do it through legislation—and not through AID—because I think this money is very important to them.

Senator FULBRIGHT. This way, if this is done as in the bill, you will get \$6,685,000 out of this, will you not?

Mr. DEBEVOISE. No, sir.

Senator FULBRIGHT. Why would you not?

Mr. DEBEVOISE. Less appropriate taxes and payments to farmers, which brings it to—

Senator FULBRIGHT. All of us have to pay taxes. That is what you will get.

Mr. DEBEVOISE. We get pesos, sir, not dollars. We get no dollars. And we must use these pesos in the Dominican Republic.

Senator FULBRIGHT. Well, you have much use for pesos in the Dominican Republic. You have very large operations there, do you not?

Mr. DEBEVOISE. I can always use pesos, sir, because this is a big program.

Senator FULBRIGHT. Well, your whole program is a big program.

Mr. DEBEVOISE. But I have also stockholders who I think have been extremely cooperative in this matter.

Senator FULBRIGHT. Well, you have done very well, too, have you not?

Mr. DEBEVOISE. I believe it is my duty to make a profit for this corporation, if it is possible.

Senator FULBRIGHT. But do you think it is necessarily your duty to make the Federal Government increase your profit by donations, such as included in this bill?

Mr. DEBEVOISE. I resent that, sir. I do not think that is a donation at all. I think we are the only country—

Senator FULBRIGHT. Why don't you let the court decide whether you have a legal claim or not? I am perfectly willing for you to try it there. But to come and have a legislature in effect supplant the court after you have entered the suit seems to me very irregular.

Mr. DEBEVOISE. I can only say, sir, that the House Committee on Agriculture was approached by the State Department and asked if they felt the same way about this, and they did. The chairman wrote a letter to the State Department offering to present this legislation. Now, this matter would originate in that committee. I am only telling you what happened, sir. I am not judging whether it was correct or not. They agreed that it had never been their purpose to have a tax of this sort put on. But irrespective of the legal right, the reason for it has now disappeared, and the money should be returned to a country which the State Department wants to save. And this is one way to save it.

Senator FULBRIGHT. Well, we gave them or loaned them \$25 million only a few weeks ago. I am sure they will participate in the Alliance for Progress very substantially. The question I think that is at issue is, first, is there any legal right that you have to the money, and if you do not have, the next is, is this a proper way to give aid to a country? A way which happens to result in your company receiving \$6.8 million out of \$22.7 million. The question is whether or not this is a wise way to give aid to a country.

Mr. DEBEVOISE. Well, sir, it has now reached a question of mechanics as to how it is going to be returned. The State Department testified the other day State was considering returning it through AID. Now, it cannot be returned through AID—

Senator FULBRIGHT. Not to you directly.

Mr. DEBEVOISE. No—we cannot share. Now, you could not, as the president of an American company, give up what you consider a just claim.

Senator FULBRIGHT. Well, I do not wish to prejudge the court's decision. But it seems very irregular, once you entered a suit, and it is pending, to then come along and try to supplant that by legislative act.

Mr. DEBEVOISE. I did not do it, sir—the U.S. Government brought it up, or Mr. Moscos did. I did not bring it up, sir.

Senator FULBRIGHT. Well, if he did, apparently he did it without the support of the Government and without authority.

Mr. DEBEVOISE. We were the ones who suffered.

Senator FULBRIGHT. Well, coming back to your own situation, you did sell sugar during 1960 without a quota, did you not?

Mr. DEBEVOISE. That is correct.

Senator FULBRIGHT. And you did make a profit, did you not?

Mr. DEBEVOISE. A profit—the average price as I remember was about 3¼ cents.

Senator FULBRIGHT. Were you—it has been rumored that Trujillo asked you to make these sales—is that true?

Mr. DEBEVOISE. No, that is not true. There is a law on the books that says you must fill your quotas. That was there in Trujillo's time, it is there today.

There was also in his time a thing called a production tax. This tax you paid when you made the sugar. It had nothing to do with the price you got for the sugar. It took a large percentage of our gross. That was the second thing.

The third thing was that you will remember that the Congress turned down the request of the administration, as I remember it, on July 1, to cancel the Dominican quota. But it then withheld the Dominican quota for some 3 months. My recollection is not as good this time of day, Senator Douglas, as I would like it to be. But I think this is right. But we had been assured there would be a quota. So we waited. Any businessman would wait. The price here is better than in the world market.

We had no idea that this tax would hit us—any idea.

In the meantime, the world markets were all filled up. I believe our quota was given in late September, and there was a law in the Dominican Republic that you must fill your quotas, and under Trujillo you did.

Senator FULBRIGHT. According to this latest report I see about your company—I think this is pertinent to this, as to whether or not you have been really harmed by this action—you did sell to the United States without the premium. According to this Standard & Poor's—this is, as you know, a well-known statistical office in New York—Standard & Poor's Corp. This is Monday, April 23, 1962. And this is commenting upon your company, the South Puerto Rico Sugar Co. It says, "The proportion of the lower cost of making sugar in such large volume, plus larger sales to the United States, offset the effect of low selling prices in the world market. As a result, profit margins were the widest in 4 years, and operating income advanced 38.8 percent. Earnings before provisions for taxes being 58.1 percent." And the net income rose 75.6 percent over the prior year—although you were selling without a premium.

This is a very peculiar situation. It doesn't seem that it harmed you much. You certainly did very well.

Now, if we come along and give you \$6.8 million in addition, it certainly would all be carried to net, whatever is left after taxes, would it not?

Mr. DEBEVOISE. No. As I said before, it is going to be spent on social programs.

Senator FULBRIGHT. You are not obligated to do that.

Mr. DEBEVOISE. Absolutely. That is the bill, and we are obligated to do it—absolutely. But, sir, may I explain something else. Since this time I would like to point out—and I have it here in my testimony—our wages have gone up in the Dominican Republic a little over \$4.1 million which, if you will look at the earnings—and I think this is the year you are referring to—is in excess of the earnings of the entire company after taxes. So that our costs today are considerably above world prices.

Now, Trujillo was killed on May 30. Our year ended September 30. This whole situation has changed very decidedly—which I will point out in my testimony tomorrow—as far as we are concerned. But this money, which has been most erroneously referred to as a windfall, sir, is not windfall. Or if it is, it is not one I want.

Senator FULBRIGHT. Well, I congratulate you on obviously a very good management, that you increased your earnings so substantially in the face of selling at the world price, not at the premium price.

Mr. DEBEVOISE. If you can get volume enough, Senator—and we happen to have good weather—as I remember that was the year we made more sugar than we ever made—if you get big enough volume you can do pretty well.

Senator FULBRIGHT. Did you request that this provision for the \$22 million be put in this bill?

Mr. DEBEVOISE. I testified I was in favor of doing that, because it was the only method that we could think of whereby this money could be returned to the Dominican.

Senator FULBRIGHT. Does your company retain a public relations firm to help you in these matters?

Mr. DEBEVOISE. I am glad you asked me that. We have employed as Washington counsel—and you will see their name listed there in our report as Washington counsel—the firm of Surrey, Karasik, Gould & Green. We have retained them ever since I became president in 1954. They work on Puerto Rican matters, they work on matters for us out of their French office, they work on Dominican matters. If we do not get any quota at all under this bill, they will still be our counsel. They receive their retainer of \$20,000 a year. That retainer is unchanged, whether there is sugar legislation or not. If you give us absolutely no quota—we might increase it then, because we would be in trouble. Anyhow, the retainer has absolutely nothing to do with quota legislation. They are not in that sense of the word lobbyists. They are our attorneys in Washington.

Senator FULBRIGHT. You stated that this matter has become a matter of great interest to the Dominicans.

Mr. DEBEVOISE. Yes.

Senator FULBRIGHT. Do you also have a public relations firm by the name, I believe, of Publicity Consultants, Inc.?

Mr. DEBEVOISE. You mean Samuel Badeo?

Senator FULBRIGHT. Well, I have Publicity Consultants, Inc., 247 Park Avenue.

Mr. DEBEVOISE. That is Ben Sonnenberg. Yes, we have used them.

Senator FULBRIGHT. I don't know the individual's name.

Mr. DEBEVOISE. Yes, sir.

Senator FULBRIGHT. Are they in your employ?

Mr. DEBEVOISE. We have used them, sir, on three jobs—(1) to put out a booklet on the 60th anniversary; (2) to put out an article on the Puerto Rican 500-acre law, the history of it; and (3) one other article—I can't remember what it was.

Senator FULBRIGHT. I wonder if I could refresh your memory. On June 19, 1962, which was not very long ago—today is the 22d—for the South Puerto Rico Sugar Co., Publicity Consultants, Inc., 247 Park Avenue—this is a news story which came from Washington. I am sure it was published in the Dominican Republic—I have no doubt it was. It leaves the impression—"entire U.S. repayments to go directly to the Dominican Republic."

Mr. DEBEVOISE. Sir, this is the report of my testimony, I guess. They cabled it down.

Senator FULBRIGHT. What would be the effect of this—what was the purpose of this, if not to arouse in the Dominican populous the expectation and assurance that they would get all this by this bill?

Mr. DEBEVOISE. No, this was no more than that. The Dominicans had their Ambassador here. He reported the same thing. There are two papers down there.

Senator FULBRIGHT. This was especially for you, I assume, as part of their duties to publicize your position in this country.

Mr. DEBEVOISE. Well, goodness, we need it, because there is a great deal of anti-American spirit down there.

Senator FULBRIGHT. Well, you are doing very well, it strikes me.

Mr. Chairman, I think this would be informative to put in the record, as an illustration of the efficiency of our public relations firms.

Senator DOUGLAS. Without objection, so ordered.

(The articles referred to follow:)

JUNE 19, 1962.

For: South Puerto Rico Sugar Co.

From: Jack Pacey-Franc Allina Publicity Consultants, Inc., 247 Park Avenue, New York, N.Y.

NEW U.S. SUGAR BILL PASSES HOUSE, INCLUDES \$22,755,158 REPAYMENT TO DOMINICAN REPUBLIC AS URGED BY SOUTH PUERTO RICO SUGAR CO.

(Recommendations of G. Douglass Debevoise, president of Major Dominican Sugar Producer, Inc., in House bill; private companies' share of compensation committed to social-economic improvements in Dominican Republic)

ENTIRE U.S. REPAYMENT TO GO DIRECTLY TO DOMINICAN GOVERNMENT

WASHINGTON, D.C., June 19.—The House of Representatives today passed a new 5-year Sugar Act providing for the direct return by the United States to the Dominican Republic of nearly \$23 million in special entry fees which were levied on special Dominican sugar shipments to the United States in 1960-61. This compensation had previously been recommended to the Congress by G. Douglass Debevoise, president of the South Puerto Rico Sugar Co., a major producer in the Dominican Republic. Mr. Debevoise testified at the May sugar bill hearings of the House Committee on Agriculture.

South Puerto Rico Sugar Co.'s proposals specify that the compensatory payments go directly to the Dominican Government, with privately owned sugar companies in the Republic receiving their share of the repayment from the Dominican Government in pesos, thus foregoing any direct payments in dollars. Under this plan, the companies will use the compensatory funds for additional construction of workers' homes and for roadbuilding, after payment of Dominican taxes and payments to the colonos, or small cane farmers in the Republic.

The private companies and the Republic are now committed to agreements that closely parallel these recent proposals to Congress by the president of the South Puerto Rico Sugar Co.

Projects designed to advance Dominican social and economic development and costing over \$2,500,000 will be financed by the South Puerto Rico Sugar Co., if the firm's proposals, now adopted by the House, are enacted into law by the Senate. The company, through the South Puerto Rico Sugar Co. Trading Corp., a subsidiary, is due a compensatory payment of \$6,885,881. Of this amount, Dominican cane farmers would be paid over \$331,000 in Dominican pesos, and taxes paid to the Republic Government would account for approximately one-half of the recovery. The balance of over \$2,500,000 would be used to implement an agreement for Dominican economic and social development made earlier this year between the South Puerto Rico Sugar Co. and the Dominican Government.

The special entry fees of \$22,755,153.69 on Dominican sugar shipments to the United States covered only extra, nonquota exports which Dominican sugar producers made available and shipped to the United States when Cuban sugar imports to the mainland were halted. The special fees began at the rate of 2 cents per pound in September 1960, and advanced to 2½ cents a pound in January 1961. The fees were paid in advance by producers of Dominican sugar. Special Dominican sugar exports to the United States terminated in March 1961, and the entry fees automatically ended.

Lawsuits pertaining to the special entry fees against the U.S. Government by South Puerto Rico Sugar Co. Trading Corp. and other Dominican producers now are pending in the Washington, D.C., Court of Claims. The companies have indicated that these suits for recovery, which allege that the entry fees were imposed without proper authority, will be dropped if the compensatory features of the House Agriculture Committee's bill are included in the final Sugar Act.

Senator FULBRIGHT. Did you get along with the Trujillo regime pretty well before it was ousted?

Mr. DEBEVOISE. We had to get along with it. I met him once in my life, in all the 6 years I was down there.

Senator FULBRIGHT. Well, I believe that is all I have, Mr. Chairman.

Mr. DEBEVOISE. Could I make one observation?

Senator FULBRIGHT. I think, however, it might be useful—since I have referred to it—if it does not burden the record too much, to put in this statement relating to the South Puerto Rico Sugar. It is the standard listed stock reports—it is not very long.

Senator DOUGLAS. That will be done.

Senator FULBRIGHT. It reflects great credit upon the president, because they were obviously managed most efficiently to make money during this trying period.

Mr. DEBEVOISE. We worked hard, sir.

Senator FULBRIGHT. You are very efficient at it, that is obvious.

(The document referred to follows:)

SOUTH PUERTO RICO SUGAR

[From standard listed stock reports—Standard & Poor's Corp., Apr. 23, 1962]

Stock ¹	Approximate price	Dividend	Yield (percent)
Common.....	32½	\$ 1.00	3.1
\$2 preferred.....	31½	2.00	6.3

¹ Listed New York Stock Exchange common also traded Philadelphia-Baltimore Stock Exchange.

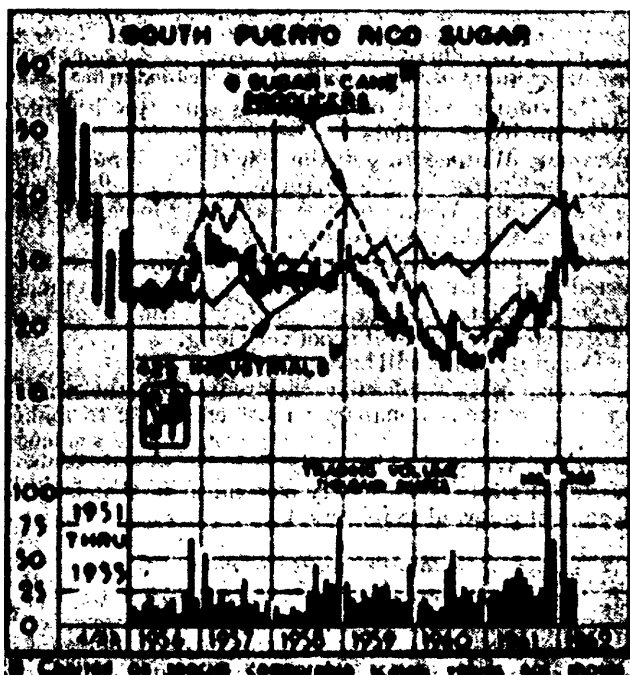
² Paid in fiscal 1961.

Recommendation: One-fourth of this company's production is in Puerto Rico, which benefits from the U.S. Sugar Act, while the other three-fourths, in the Dominican Republic, is largely exposed to the uncertainties of the world market. Crop prospects in both areas are favorable, and with U.S. diplomatic relations resumed with the Dominican Republic, shipments of Dominican sugar are expected to be up substantially and will not be subject to special import fees as in 1961. There are political uncertainties in the Dominican Republic and also as

to U.S. sugar legislation, but with still higher earnings in prospect for 1962, speculative holdings in the common and preferred may be retained.

LATEST EARNINGS

In the fiscal year ended September 30, 1961, the value of sugar and molasses produced, including adjustments arising from liquidation of prior crop, was almost 21 percent higher than in fiscal 1960. However, the gain in total sales was held to 18.2 percent as a result of the decline in sales of furfural. Generally favorable weather conditions contributed to the production of record sugar tonnages at the Central Guanica mill in Puerto Rico and at the Central Romana mill in the Dominican Republic. The proportionately lower cost of making sugar in such large volume, plus larger sales in the United States, offset the effect of low selling prices in the world market. As a result, profit margins were the widest in 4 years, and operating income advanced 35.8 percent. Earnings before provision for taxes gained 58.1 percent. After U.S. and foreign income taxes at 51.1 percent, as against 56 percent in fiscal 1959-60, final net rose 75.8 percent. Net income in 1959-60 was before a net refund of \$266,121 from employees' retirement plan, equal to \$0.26 a common share.



PROSPECTS

Near term: Crop prospects are favorable, and the company will participate fully in the allocation of 421,122 tons of nonquota Dominican sugar for import into the United States in the 6 months through June 30. Such sugar commands a premium over that sold on the world market, but a firm estimate of sales for the fiscal year ending this September 30 is not feasible since such a large proportion of total sales will be made at depressed world prices.

Wage costs on Dominican operations are up substantially, but 1961-62 earnings are expected to better the \$3.25 a common share of 1960-61 (which compared with \$1.68 in 1959-60) particularly since large nonquota imports of Dominican sugar will not be subject to the special entry fees which held down earnings gains last year. There is no set dividend policy. The most recent payment was \$0.40 on March 30, 1962, bringing the total to date in 1961-62 to \$0.65. Dividends for all of 1961-62 are likely to exceed the \$1 paid in 1960-61.

Long term: The plant improvement program, now in its second stage, favors a higher profit potential for Puerto Rican operations. Restoration of diplomatic relations brightens the Dominican outlook.

RECENT DEVELOPMENTS

On September 21, 1961, legal proceedings were instituted in the U.S. Court of Claims to recover \$6,885,862 in special fees paid on the importation of nonquota Dominican sugar into the United States between October 18, 1960, and March 23, 1961.

DIVIDEND DATA

Note agreements limit common dividends to 70 percent of available consolidated net earnings after October 1, 1958, provided net working capital is maintained at not less than \$14.5 million.

Amount of dividend (dollars)	Date declared	Ex-dividend date	Stock of record	Payment date
0.30	May 23	June 7	June 12	July 1, 1961
.40	Aug. 22	Sept. 6	Sept. 11	Sept. 30, 1961
.25	Nov. 28	Dec. 6	Dec. 11	Jan. 2, 1962
.40	Feb. 15	Mar. 7	Mar. 12	Mar. 30, 1962

Income statistics (in millions of dollars) and per share (dollar) data

Year ended Sept. 30—	Total sales ¹	Percent operable, inclusive of sales	Maintenance and repairs	Depreciation and amortization ²	Net before taxes	Net income ³	Common ⁴			Price range ⁵	
							\$2 preferred earnings ⁶	Earnings ⁷	Dividends paid	\$2 preferred ⁸	Common ⁴
1962									0.65	33 -29½	40¼-27
1961	41.03	26.1	3.12	3.24	7.62	3.72	18.61	3.25	1.00	31¼-27¼	30¾-15¾
1960	34.71	22.7	2.77	3.20	4.82	2.12	10.60	1.68	.60	30¼-25	21 -14
1959	35.79	19.7	2.81	3.03	4.22	1.76	8.90	1.33	.90	35½-29½	32¾-18
1958	25.82	8.8	2.67	2.03	.87	7.12	7.61	7.51	1.75	36 -32½	34¼-25¾
1957	43.07	28.6	2.62	1.97	11.10	5.87	29.35	5.36	1.73	40¼-35	35½-24½
1956	34.53	20.1	2.24	1.64	5.76	3.13	15.64	2.67	1.73	40¼-35	32¾-22½
1955	29.04	18.6	1.48	1.39	4.10	2.43	12.16	1.99	1.45½	40¼-33	34¼-24¼
1954	30.99	13.5	1.78	.90	3.58	1.83	9.15	1.40	1.63½	40 -34	31¼-21½
1953	28.49	15.5	1.76	.85	4.69	2.69	13.45	2.24	2.91	40 -33	38¾-23¾
1952	37.07	29.6	1.70	.81	.91	6.24	31.19	5.69	5.09	42¾-36	50¾-36¾
1939	10.41	23.5	.49	.70	2.44	1.98	9.88	1.54	1.09	35¼-31¼	25¾-10¼
1938	11.08	18.3	.56	.73	1.50	1.24	.82	.82	2.22	35¼-32	20¾-11¼
1937	14.01	25.0	.55	.75	2.98	2.54	12.69	2.09	2.36½	38¾-32½	30¾-14¾
1932	13.97	25.8			2.66	2.29	11.46	1.85	Nil	28¼-21¾	13¾-3¾
1929	15.24	23.2			2.45	2.28	11.39	1.84	1.82	33¾-28½	32¾-16½

¹ Including sugar and molasses products, sundry receipts and futural sales after 1954.
² Depreciated only between 1955.
³ Excluding nonrecurring of \$1.35 a share in 1957, \$0.81 in 1958, and \$0.26 in 1960; before special charges of \$1.59 in 1959.
⁴ Adjusted for stock dividends of 25 percent in 1955 and 10 percent in 1957.

⁵ Adjusted for 4-for-1 stock split in 1947; dividends paid regularly.
⁶ Less reserves.
⁷ Calendar years.
⁸ Deficit.

Pertinent balance sheet statistics

[Millions of dollars]

Sept. 30—	Gross property	Capital expenditures ¹	Cash items	Inventories	Receivables	Current		Net working capital	Current ratio assets to liabilities	Long-term debt	(Dollars) book value commercial shares ²
						Assets	Liabilities				
1961	66.84	1.37	9.5	4.10	1.89	19.52	4.40	15.12	4.4-1	6.80	47.30
1960	66.09	2.17	6.2	3.80	1.74	16.28	4.21	12.07	3.9-1	7.20	44.74
1959	65.59	2.78	3.8	2.02	2.76	13.60	3.79	9.82	3.6-1	7.60	43.67
1958	64.08	6.37	1.2	3.38	2.96	13.08	3.84	9.24	3.4-1	8.00	44.50
1957	59.10	12.28	5.2	4.01	2.55	15.08	9.58	5.50	1.6-1	Nil	45.90
1956	51.06	3.24	3.5	7.71	2.52	17.02	6.38	10.64	2.7-1	Nil	40.73
1955	48.15	3.48	4.8	5.17	3.35	15.21	3.82	11.39	4.0-1	Nil	39.78
1954	45.31	5.82	6.4	7.92	1.73	17.34	3.69	13.64	4.7-1	Nil	39.23
1953	40.48	2.36	11.3	6.61	1.81	21.19	3.26	17.93	6.5-1	Nil	39.46
1952	38.30	1.49	15.7	7.40	1.58	24.70	8.49	16.21	2.9-1	Nil	39.87

¹ Including renovation expenses in 1956 and subsequently.
² Adjusted for stock dividends of 25 percent in 1955 and 10 percent in 1957.

FUNDAMENTAL POSITION

Most of this company's operations are in the Dominican Republic, which accounts on average for about three-fourths of its production, marketed principally in England. However, in the fiscal years 1960 and 1961 substantial additional tonnages, as a partial replacement of the former Cuban quota, were exported to the United States. Importation of a large part of the company's Dominican output has been authorized by the United States for the period January 1 to June 30, 1962, when the present Sugar Act expires. Puerto Rico production, which makes up more than one-fourth of total output, is shipped duty free to the United States.

Puerto Rican properties include 450 acres near Guanica, a mill with annual capacity of over 100,000 tons of raw sugar and a refinery with annual capacity of 15,000 tons.

In the Dominican Republic, Central Romana Corp, a subsidiary, owns 300,000 acres, of which 110,000 are in cultivation, a raw sugar mill with annual capacity of 300,000 tons, and a refinery with an annual capacity of 30,000 tons of refined sugar. Magdalena Development Corp. has 20,000 acres planted in cane. Central Romana By-Products Co. produces furfural from bagasse. E. I. du Pont is under contract through 1965 to purchase two-thirds of output with an annual option to buy the remainder.

During the 1961 crop season, the Puerto Rican subsidiary produced 100,050 tons of raw sugar, against 73,434 in 1960, while Dominican subsidiaries produced 316,533 tons, against 240,614. Puerto Rican refined sugar output was 18,148 tons in 1961, and 17,871 in 1960. Dominican refined output amounted to 6,328 tons in 1961 and 24,564 in 1960.

Dividends, paid since 1934, averaged 54 percent of available earnings in the 5 years through September 30, 1961.

Employees: 9,000 to 16,000 depending on the season. Shareholders: 953 preferred; 5,321 common.

FINANCES

The company borrowed \$8 million in September, 1963, to relieve the drain on working capital resulting from extensive capital expenditures in recent prior years.

As a result of a conservative dividend policy and close control of capital outlays, the working capital position at September 30, 1961, was at the highest fiscal year-end level in eight years.

CAPITALIZATION

Long term debt: \$6,800,000.

\$2 Preferred stock: 200,000 shares (\$25 par); nonredeemable.

Common Stock: 1,022,966 shares (\$5 par).

Senator FULBRIGHT. Thank you.

Mr. DEBEVOISE. Could I say one thing, since you are not going to be here tomorrow.

Senator FULBRIGHT. Certainly.

Mr. DEBEVOISE. You made one observation that upset me very much, and I wish to indicate my feeling about it.

Believe me, Mr. Senator, if you had been down in the Dominican Republic early last fall and early this spring, when you got shut in your office and you could not get out to go to lunch, and you had to get troops to drive away the Castro leftists, and when we saw fellows hung—we have had 80 strikes this year, and 400 cane fires—you would never make the remark that I would ever for a quota want to keep Castro in power. We are 60 miles from Cuba, which is nearer than you are here to Richmond. You can take all the quota any time you want if we get rid of Castro, because he is going to wreck South and Central America unless we are very careful. And believe me, I do not want you to ever think that about me. Maybe I am making too much money—I do not think I am. But believe me, I do not want a

quota that badly, Senator, ever. Please let me tell you that, as I will not see you tomorrow.

Senator FULBRIGHT. What would be your situation really? You are an expert in this field. If the administration bill is adopted—you clearly could compete, if I understand the record—you could compete. You would have a great advantage over these people far removed.

Mr. DEBEVOISE. No, sir.

Senator FULBRIGHT. Why can't you, when you did show very substantial profits when you did not?

Mr. DEBEVOISE. Sir, you heard what I said about the increase in costs which occurred—and this is part of what the bill calls for. The bill says it is designed to improve the standard of living in South and Central America. These wages, of course, were put in too fast. This Government is a naive, honest government, and it is a good government. I hope they last. They put in the wages too quickly. They certainly put them in in anticipation of a fair share of the U.S. quota. Domingo has no other subsidized market. We have nothing. We have a chart there, Senator Douglas, which shows that Domingo, with the exception of Taiwan, has more sugar remaining, after the quota fixed in the House bill. In other words, we have plenty of sugar.

Now, what I would have to do if this administration global quota bill went through is this. I would have to cut back my production. In other words, I do not have any place to sell it, and I cannot afford to produce at these prices.

The representative of the Dominican Republic will testify tomorrow. He will tell you what they have to do. Those mills owned by the Government now, taken over from the Trujillo families, probably are not quite as efficient as ours. Their costs are higher. Many mills would have to be closed. You would have a great deal of unemployment there. You know what happens with unemployment. We have to cut down.

I think the country would go Castro. Any intervention which we do—because I think the State Department is determined to save Domingo—would be much higher than \$135 million—much higher. We wouldn't attempt to sell you sugar. We could not.

Senator FULBRIGHT. You sold a lot of it other places for quite a while, did you not?

Mr. DEBEVOISE. Yes. But our costs today, sir, are somewhere in the neighborhood of 3.40. The world market today is 2.65.

Senator FULBRIGHT. Well, clearly, if the United States entered the world market, it would have some effect upon the world market. It would not stay at 2.65, would it?

Mr. DEBEVOISE. I am not at all sure about that.

Senator FULBRIGHT. You heard the preceding witness. He indicated there would be a shortage of sugar.

Mr. DEBEVOISE. Well, I did not agree with him. You remember today Mr. Morton made a remark, but he did not carry it through. You know over 200,000 tons of refined sugar was sold into Great Britain this year at 2½ cents—refined sugar. And in the remarks of the chairman of Tate & Lyle, he said it is obviously part of a Russian plan to take over the refined sugar business of Europe.

The Communist will control the world market, they will run the price up and down as they see fit. Today the prices have been lower since Cuba has been out of the world markets than ever before—than they have been in years—not that they have ever been. I subscribe to what Mr. Chapman said. I think at your price you would get some sugar for a while, but I think you would have difficulty. And I do not know how you would work global quotas.

Nobody has been able to tell me how it works.

Senator FULBRIGHT. Well, it would be available. We would be bidding for it. We would get it. If it went up, it would reach the same result as you say. What really amazes me about some of our business people, who I am sure in other circumstances are all for free enterprise and the competitive system—but when it comes to sugar, that's the last thing anybody wants. This is controlled and subsidized and the opposite of free enterprise. I bet you are for free enterprise at home?

Mr. DEBEVOISE. Sir, I will take free enterprise at any time. If you take the subsidy off all the sugar produced in the United States, you do not need to give me any subsidy at all.

Senator FULBRIGHT. I have always been for that.

Senator DOUGLAS. So have I.

Mr. DEBEVOISE. I cannot see how Senator Douglas is right, because under the administration bill the consumer is going to pay the same price, because the Treasury just takes it out of me, and it goes back in aid. And I would rather have trade than aid.

Senator DOUGLAS. At least the taxpayers will get relief.

Mr. DEBEVOISE. I hadn't thought of that.

Senator FULBRIGHT. You are a taxpayer, too, are you not?

Mr. DEBEVOISE. Darned right.

Senator FULBRIGHT. That's all. I apologize.

Senator DOUGLAS. Not at all.

Will it be convenient for you to return tomorrow morning?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. Very good. Our next witness is Mr. Rocco Siciliano on behalf of the Sugar Association of San Salvador. Please proceed, Mr. Siciliano.

STATEMENT OF ROCCO C. SICILIANO ON BEHALF OF THE SUGAR ASSOCIATION OF EL SALVADOR

Mr. SICILIANO. Mr. Chairman and members of the committee, my name is Rocco C. Siciliano. I am a member of the Washington law firm of Wilkinson, Cragun & Barker. I represent the Sugar Association of El Salvador (Association Azucarera de El Salvador). This statement is supplemental to that previously filed with this committee on pending sugar legislation now before it. El Salvador generally favors H.R. 12154, the Sugar Act Amendments of 1962, as passed by the House. While a basic quota of 10,000 tons is allotted to El Salvador in that measure, it falls short by an equivalent amount of the basic quota requested. To enable full employment of the workers in every segment of the sugar industry a basic quota of 20,000 tons is essential for El Salvador. A quota of only 10,000 tons will compel the layoff of thousands of workers. This must be avoided.

The committee is reminded that until 1955 El Salvador was a basic quota country. That year, because of the pressing sugar requirements of neighboring Honduras, El Salvador diverted shipments of sugar from the United States to Honduras only after receiving advance clearance and assurances from the Foreign Agricultural Service of the U.S. Department of Agriculture through the U.S. Embassy in El Salvador that "El Salvador never loses the quota assigned to her." Subsequently, and to its great astonishment and dismay, El Salvador was dropped from its status of a quota country for failing to meet its quota. The exchange of correspondence which led to this loss of quota is attached as an appendix to this statement.

El Salvador is a small country. It is the most densely populated continental American country, with a population of approximately 2,700,000 and 323 inhabitants per square mile. The population increases at the rate of 3.5 percent each year. Its economy is basically agricultural. Because of this dependence on agriculture and in view of the limited land resources, the country is engaged in intensive methods of land cultivation for the purpose of obtaining a greater yield per acre to feed its growing population. Considering El Salvador's diversification efforts, the availability of an adequate export outlet for sugar in the U.S. market becomes a matter of special importance. Failure to obtain such an outlet in the United States for the requested 20,000 tons would cripple the task of diversifying El Salvador's economy and of reducing its present major dependence on coffee. The annual population growth expressed in other terms means that each year many thousands of workers are thrust upon the labor market. If serious economic and social dislocation and upheaval are to be avoided, this constantly growing labor force must be given a means of earning a livelihood. The sugar industry, 100 percent owned by citizens of El Salvador, constituting El Salvador's fourth largest industry, and directly employing from 30,000 to 35,000 persons, affords a material outlet for a large share of this labor force growth. Therefore, while the requested quota of 20,000 tons is small by U.S. standards, it does in fact mean for El Salvador the difference between orderly economic and social development and economic and social collapse.

It is only natural that the Congress of the United States should want to be informed of the self-help measures which every sugar exporting country is willing to undertake before the benefits of U.S. sugar legislation are conferred upon it. In this regard, the small country of El Salvador can hold its head among the highest. It would be self-serving, perhaps, to make this statement without any corroboration on the part of the United States itself. Here are the words of the Honorable Teodoro Moscoso, U.S. Coordinator for the Alliance of Progress, in a Chicago address, June 4, 1962.

Tomorrow, I shall leave on a brief trip to El Salvador, where the United States will be opening a Trade Fair, designed to stimulate commerce between the two countries and thus help the Alliance in another important way.

That small Central American country has already taken a number of steps of the kind that are contemplated and needed to make the Alliance for Progress work. Most recently, El Salvador's lawmakers adopted a bill establishing a National Council of Economic Planning. We are aiding the Council, which has contracted the services of a U.S. consultant firm to help draw up a sound national program of economic and social development. El Salvador also has enacted other laws designed to carry out social and economic reforms designed

to bring about a fairer distribution of the country's wealth. We for our part have granted funds for a countrywide school building and teacher training program so that large numbers of children who otherwise would not be able to attend school may have their chance to get an education. And we are aiding in other development programs. *Here is a case where a government has recognized and acted on the principles underlying the Alliance—and where a real opportunity exists for rapid strides in development.* [Emphais added.]

Mr. Moscoso has not overstated the case.

The Department of State in a statement submitted to the House Foreign Affairs Committee during the March 1962 hearings on the Foreign Assistance Act of 1962 declared:

The Government of El Salvador has possibly gone as far as any government can go in the last year in wholeheartedly attempting to undertake whatever might be deemed needed to "accomplish tax reform."

Among specific examples which can be cited are the following which took place during 1961, for example:

(1) Law to provide remunerated rest on Sunday for rural laborers: Decree No. 40 established compulsory Sunday rest for all rural workers; as well as the obligation that the employers have to remunerate such rest with a minimum wage of 60 cents for each working day.

(2) Amendments to the leaseholding law: Decree No. 80 established that the rent paid for dwellings (tenement houses) inhabited by low income persons should not exceed two-third of the last rent paid in the year of 1957.

(3) Law for the protection of the salary: Decree No. 123 provides that salaries should be paid out in a timely, integral and personal way. This was done in order to protect the workers against speculation.

(4) Law providing minimum wages for commercial employees: Decree No. 160 established that a basic minimum salary to be earned by commercial employees rendering their services in establishments whose assets are larger than \$4,000 shall not be less than \$1.20 per day. This applies to daytime shifts.

(5) Law for the protection of rural workers: Decree No. 190 provides that rural laborers will render their services by means of individual labor contracts. Such contracts outline the duties and the rights of employers and employees. It also provides holidays with remuneration, paid annual vacations, and the minimum housing and nutritional requirements that employers have to supply to his workers at their own expense.

(6) Amendments to the income tax law: Decree No. 300 amends the income tax law. This law determines that the taxation of income shall be made more equitable for the different economic sectors. Basically, these amendments diminish the amount paid by low income taxpayers and substantially increases the taxes to be paid by high income groups. Taxation for medium bracket groups has remained unchanged. This income tax law is the highest one in Latin America.

(7) In addition, in order to channel and coordinate the general economic policy of the country with the national monetary policy, so that they can both function toward improvement of the national welfare, and in order to give the public a greater voice in fiscal policy and management, the Government saw the need to introduce the following changes:

(a) The Central Reserve Bank, which had been under private ownership is now under public ownership. This was accompanied with substantial authority given to the Central Reserve Bank so that now it is in a better position to alter the reserve requirements of the commercial banks; and to control credit quantitatively and qualitatively. All these changes are in agreement with the rules of the International Monetary Fund.

(b) The Salvadorean Coffee Co. (Compania Salvadorena del Cafe) an institution established in 1942 for the purpose of improving the coffee industry in all its aspects, has been recognized as well. The Salvadorean Coffee Co. operated since its beginning as a private corporation. The Government now has an active voice in its operations by appointing directly, two members in the board of directors; other two members are elected by the stockholders. The fifth member is elected by the four directors from a list of persons submitted by the board of directors of the Central Reserve Bank.

Translating these social and economic reforms into terms respecting sugar workers, it may be stated that these wages have been doubled.

It is precisely because El Salvador is cooperating fully with the United States in adopting the social and economic reforms essential to the Alliance for Progress that the sugar quota premium must be retained and El Salvador be allotted the requested basic quota of 20,000 tons. Without such a quota it will be difficult, if not impossible, to continue the reforms already instituted. This is so not because of any lack of desire on El Salvador's part to cooperate with the United States in every respect. It will take place because of the economic and social disruption and burden caused by the resultant layoff of thousands of sugar workers, which necessarily would follow.

In this connection, I would like to point to the impact upon the sugar industry of economic and social reforms already instituted. The labor costs in cutting sugarcane in 1962 are twice as high as they were in 1960 or previous to the institution of the social reforms. The entire cost of producing sugar has increased by 46 percent. Today the local direct tax on sugar has doubled. The corporate tax has been tripled. All these changes have come about as a result of the prodding of the United States and the goodwill of El Salvador in carrying through with these reforms.

Is it prudent for the United States to be pushing for social and economic reform in the Alliance for Progress and then in sugar legislation to make it impossible for the sugar industry to bear its share of its reforms? Should El Salvador be penalized in sugar legislation because it has undertaken social reforms desired by the U.S. Congress and the Alliance for Progress? This is precisely what will happen if the quota premium system is not retained and El Salvador is not allotted the 20,000-ton quota it has requested. Indeed, without the sugar legislation as here recommended, the Alliance for Progress will be lacking in an essential underpinning from the private enterprise factor of the country.

In Latin America, everything the United States does—every program that it conducts, every policy that it enunciates—is considered part of the Alliance for Progress. The Alliance for Progress is not considered in its restricted terms as contained in the Foreign Aid Act. It is the totality of U.S. effort toward Latin America in this new

decade of development that is considered to be the Alliance for Progress. Sugar legislation must be considered in that context. I therefore urge this committee to weigh carefully the foreign policy implications of the sugar legislation now before it. Weigh carefully the views of the Latin American sugar exporting countries. Weigh carefully the disastrous impact which would uniformly and necessarily follow the elimination of the quota premium. Weigh carefully the feeling that has been engendered in Latin America that the United States has embarked on a full-scale program for Latin America while at the same time in the House bill before you, countries outside the Western Hemisphere are allotted large slices of sugar quotas.

The rich will not be made richer by the Sugar Act. One thing is certain—if the House bill is not adopted (with the changes suggested) the poor will be made poorer. With a basic quota of 20,000 tons allotted to El Salvador, the poor workers will be able to improve their standards of work and living and the thousands of small growers will be afforded an opportunity to partake of the benefits of an enlightened U.S. sugar program.

Because of the priority concept of the Alliance for Progress it is requested that basic quotas be assigned only to friendly countries of the Western Hemisphere. The Philippines, because of its special status, of course deserves special treatment. Should, however, this recommendation not be adopted and should the House provision of 1.5 million tons reserved for Cuba be increased—which El Salvador opposes—it is recommended that the small sugar producing countries of Latin America be granted the quotas which they have requested, including a basic quota of 20,000 tons for El Salvador, a former quota country.

In conclusion and in summary, El Salvador strongly favors H.R. 12154, now before this committee, with the exception that it urges the allotment of basic quotas only to countries of the Western Hemisphere including a basic quota of 20,000 tons for El Salvador rather than the 10,000 tons contained in the House measure.

El Salvador is anxious to continue its social and economic reforms already instituted pursuant to the Alliance for Progress. Many of these reforms will have to be abandoned unless the sugar industry, a vital economic activity of the nation, is given an opportunity to sell its product to the United States at the requested level.

Further, unless the desired quota of 20,000 tons is granted, unemployment in a growing population will be rampant, serious dislocations and disorder will take place and the promise and hope for the Alliance for Progress will have been nullified.

It is realized that these are strong words and that their import is serious. But it is imperative that this committee be informed of the views of El Salvador, which, though small, looms large as the outstanding country in Latin America which has fully cooperated with the United States in the Alliance for Progress.

(The appendix accompanying Mr. Siciliano's statement follows:)

APPENDIX

EL SALVADOR, A FORMER QUOTA COUNTRY

There follows exchange of correspondence in 1955 between the Sugar Producers Association of El Salvador and the Foreign Agricultural Service, U.S. Department of Agriculture, and the U.S. Department of State.

El Salvador was asked to supply sugar to neighboring Honduras because of a short supply there. El Salvador was anxious to fulfill its commitments under its quota to the United States and, of course, not to lose its quota. Therefore, it requested prior approval from the U.S. Government to divert sugar intended for the United States to Honduras.

The correspondence which follows indicates beyond any question why El Salvador was justified in diverting the sugar in this way under the assurance given that it would never lose its quota status.

In fact, El Salvador was dropped that year from its position as a quota country because it did not fulfill its quota commitment.

In view of the facts disclosed in the correspondence which follows, it is respectfully submitted that El Salvador deserves to be reinstated as a quota country.

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA,
EMBASSY OF THE UNITED STATES OF AMERICA,
San Salvador, El Salvador, August 1, 1955.

Mr. CARLOS SALAZAR,
Manager, *Cooperativa Azucarera Salvadorena, Ltda.*,
San Salvador, El Salvador.

DEAR MR. SALAZAR: As a result of your inquiry made to the Embassy a few weeks ago, there are attached questions and answers on sugar which have been forwarded to the Embassy from the U.S. Department of Agriculture for transmission to you.

Very truly yours,

A. B. HORN, Jr.,
Commercial Attaché.

U.S. DEPARTMENT OF AGRICULTURE,
FOREIGN AGRICULTURAL SERVICE,
Washington, D.C., July 23, 1955.

Sr. CARLOS SALAZAR,
Manager, *Cooperativa Azucarera Salvadorena Ltda.*
San Salvador, El Salvador.

DEAR SENOR SALAZAR: At the request of Mr. Claud Horn, agricultural attaché, American Embassy, there are attached questions and answers on problems concerning sugar which we understand are of interest to your office.

It has been a pleasure to be of service.

Sincerely yours,

STEWART P. WANDS,
Acting Chief, Sugar and Tropical Products Branch.

1. Does there exist a U.S. quota for purchase of El Salvador sugar? Yes.
2. What is the quantity of the quota? 4,136 short tons of raw sugar only.
3. Should such a quota exist, can El Salvador partially fill that quota without risk of losing the unused portion of the quota? El Salvador never loses the quota assigned to her. While the quota may be prorated to other countries if it appears that it will not be filled, this would not prevent El Salvador from shipping her full quota at a later date.
4. What is the period of the quota? When does it begin and end? The U.S. Sugar Act is on a calendar year basis—January 1 to December 31.
5. When are unused portions of quotas reallocated to other potential suppliers? Unused portions of quotas are reallocated at the discretion of the Secretary of Agriculture. Again we note that this would not prevent the shipment of raw sugar from El Salvador to the extent of 4,136 short tons. We also note that as of May 10, 1955, there were no charges against El Salvador's sugar quota for 1955.

Senator DOUGLAS. Thank you very much Mr. Siciliano.
Our next witness is Mr. Sheldon Z. Kaplan, counsel to Guatemala Sugar Producers Association.
Please proceed, Mr. Kaplan.

STATEMENT OF SHELDON Z. KAPLAN, COUNSEL TO GUATEMALA SUGAR PRODUCERS ASSOCIATION

MR. KAPLAN. Mr. Chairman and members of the committee, my name is Sheldon Z. Kaplan. I am a practicing attorney here in Washington. I appear as counsel to the Guatemala Sugar Producers Association.

During these 1956 hearings before this committee in its consideration of the Sugar Act extension, Guatemala stated that she was not requesting a quota at that time, but would in 1960. I am grateful to you, Mr. Chairman and members of the committee, for affording Guatemala an opportunity to present the views of the Guatemala Sugar Producers Association in support of the basic quota of 20,000 tons allotted to Guatemala in H.R. 12154.

Production in Guatemala for 1962 has been limited to 110,000 tons, with local consumption estimated at 85,000 tons, leaving 25,000 tons for export. For 1963, the productive capacity is estimated at 130,000 tons, with domestic consumption expected to be 87,000 tons, leaving 43,000 tons which could be shipped to the United States. There is, thus, no question as to Guatemala's ability to fulfill a minimum basic quota of 20,000 tons.

Let me say right from the outset that Guatemala urges that the present quota premium system, or the subsidy, be retained in the U.S. sugar program and that the House bill be adopted by this committee. If any changes are to be made in this bill, I strongly recommend that the inclusion of new countries within the quota premium system be limited to the Western Hemisphere. Relations with Latin America have been declared to be our Nation's top priority in foreign affairs. There is a wave of rising expectations in Latin America as to a better life, but the peoples of that area want tangible evidence that the United States will help them fulfill those expectations. The sugar quota premium system applied as it is in the House bill to all the sugar exporting countries of this hemisphere will be the essential base so essential to the success of the Alliance for Progress. Why? Because it will have an immediate impact on the economies of all the countries involved and the welfare of the workers.

Why should the present quota premium system be retained? The answer is essentially a simple one: It has worked well. Insofar as foreign producers are concerned, they regard this program as an effective program in the mutual interests of their respective countries and the United States. Indeed, it is sound international trade and sound foreign policy.

Let's make no mistake about it: Latin America is in turmoil, coffee prices have sagged, the Alliance for Progress is lagging behind, and the destructive and subversive forces of communism grow stronger in that area. To drastically revise the U.S. sugar program and eliminate the quota premium system at this crucial juncture in inter-American relations does not make sense. I urge this committee, which

I know is anxious to improve U.S. relations with Latin America, not to make a revision in the House bill which can only bring about a rapid deterioration of those relations.

Certainly the Sugar Act has brought about employment for the workers, food and shelter for their families, and given them some sort of faith in a tomorrow. Further, it enables the smaller producers to participate more effectively in an important segment of their nation's economy. As far as Guatemala is concerned, every 2 tons of sugar will guarantee work for one worker and his family. Putting it another way, a quota of 20,000 tons for Guatemala will guarantee work for 10,000 workers and their families. On the basis of an average family of 5, this would mean a total of 50,000 people directly affected by the U.S. sugar program.

I have personally witnessed in Guatemala the impact which the Sugar Act has had on the conditions of the sugar workers—within a matter of only 1 year—new schools, new clinics, nurseries, more widespread religious activities, playing fields, and other recreational facilities. In one Guatemalan sugar plantation, El Salto, for example, a nurses training course instituted there is being used as a model by the Government. This is a case of technical assistance by Guatemalan private enterprise, the sugar industry, to the Government of Guatemala. I have cited an example in Guatemala, but I know that similar social and economic progress is taking place elsewhere in Latin America through the initiative of the respective sugar industries. All this has been made possible by the quota premium price of sugar paid by the United States. Is it any wonder that there is such widespread opposition to the global quota scheme voiced not only by the growers, planters, and processors but also the workers themselves in every sugar exporting country of Latin America.

Guatemala has 10 sugar mills which are supplied by 219 cane sugar growers, owners of the producing sugarcane plantations, and by 5 cooperatives which are the result of the agrarian reform promoted by the United States. Directly dependent on the sugar industry are 1,433 families (mills and plantations) and 22,000 families of workers in the industry.

Mr. Chairman and members of the committee, there seems to be some tendency in U.S. relations with other countries to take friends for granted and to be sympathetic to those on the fence, and at times to those even hostile to us. We have paid lipservice in eloquent words to the need for strengthening inter-American bonds of friendship, but words, unfortunately, are not enough. Now I am not one of those who believes that friendship is friendship only so long as the poorer friend receives help from the richer friend. I am confident that Guatemala will remain pro-United States, sugar quota or no sugar quota, so long as no leftist regime takes power. But the general demoralization and the adverse economic impact which would take place in Guatemala unless she is granted the quota requested would not be in the best interests of the United States as I conceive those interests. Guatemala is pro-United States, not for any economic benefit it can derive from that friendship. It is so because Guatemala stands for the same things we stand for—liberty, dignity, opportunity, courage, and adherence to principle.

It is sometimes difficult, unless one observes it firsthand, to realize fully the impact which a program such as the U.S. Sugar Act can have on a small country. This impact is not only economic but is also psychological. Both are important. The case of Guatemala in this respect is unique. Guatemala, a small country of 4 million people, has stood by the United States ever since the overthrow in 1954 of the notoriously communistic regime of Jacobo Arbenz, now consorting with the Communists in Cuba. Guatemala was one of the first to condemn the Castro regime as a Communist-dominated government. It is the first country to break off diplomatic relations with Cuba for that reason. At the recent conference of Foreign Ministers at Punta del Este, Uruguay, in January of this year, Guatemala took the lead in urging that the United States take a strong stand against communism and Castro and in condemnation of both.

In addition to the obvious economic factor, there is involved the psychological factor of the inclusion of Guatemala within the program for a specific quota. I have already referred to the economic factor earlier in my statement. Such inclusion would demonstrate that the United States is concerned about Guatemala and its well-being, and I think it is very important to emphasize the word "concern" because it is one of the key motivations essential to a positive and effective U.S. policy toward Latin America. The knowledge that there is such a concern gives a government and people of a friendly country renewed strength, energy, and determination at a time when these qualities are essential to the preservation of its freedom and independence, and at a time when communism has established a beachhead in the Western Hemisphere from which it is spearheading its attack against such freedom and independence. This is particularly so with respect to Guatemala, a country which knows from bitter past experience what it means to live under a Communist regime.

The Latin American sugar-producing countries are shocked that the Department of State recommends scrapping the quota premium system for friendly foreign countries and urges in substitution the institution of import fees to be covered into the Treasury to be used for the purposes of the Alliance for Progress. While I do not know of any responsible Latin American official who does not believe in the objectives of the Alliance for Progress, as do I, at the same time we must recognize that the Alliance for Progress, eloquent as its words and promises may be, is as yet untested. The people in Washington primarily charged with the responsibility for implementing the alliance are as yet untested. Why, then, should the one outstanding and tested program that has succeeded in Latin America—namely, the existing Sugar Act—be gutted and placed, in a sense, within the confines of a program that is admittedly years away from success? One of the criticisms leveled against the foreign aid program has been that the benefits have not filtered down to the people. "We need more of a people-to-people approach" it is maintained. The Sugar Act, as has been stated, has an immediate impact on people. Even in the smallest producing country literally thousands of workers depend upon sugar for their livelihood.

Section 251, title VI, of the Foreign Assistance Act of 1962 (S. 2996), recently passed by the Senate, provides:

It is the sense of the Congress that the *historic, economic, political, and geographic* relationships among the American peoples and Republics are *unique* and of *special significance* and that the Alliance for Progress offers great hope for the advancement of the welfare of the peoples of the Americas and the strengthening of the relationships among them. Accordingly, the President is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of countries and areas in Latin America. [Emphasis supplied.]

This is the language as recommended by the Department of State.

Note, Mr. Chairman and members of the committee, the executive branch that wants to scrap a sugar program that has been going on between the United States and Latin America for 10, these many years, is the same executive branch which in the foreign aid bill refers to "historic, economic, political, and geographic relationships among the American peoples and Republics" as being "unique and of special significance." Certainly, we must agree with those sentiments. The Sugar Act constitutes a realistic recognition—not in mere words, but in real trade—that the United States does have historic, economic, political, and geographic relationships with our sister Republics to the south and that these relationships are indeed unique and of special significance. Let us not destroy those relationships by following the executive branch recommendations on sugar, well intentioned as I am certain those recommendations are.

I am not impressed with the State Department argument advanced during the current sugar hearings that the Sugar Act "would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc." Specifically, the request of Guatemala for a 20,000-ton quota would be made, Cuba sugar or no Cuba sugar. In the 1956 sugar hearings before this committee, as I have stated earlier, Guatemala indicated that she wasn't at that time requesting a quota but would in 1960. Certainly, this small quota and other similar quotas for relatively small producers could have little impact on Cuban sugar. Generally, insofar as the larger producing countries are concerned, it can be assumed that they understand the impact which Cuba's eventual return to the U.S. sugar market would have on them.

Back in June 1960 at the very time the Congress was considering extension of the Sugar Act, Ernesto Che Guevara, Castro's economic adviser, in a television address at Havana stated that the Cubans were being enslaved by the 3 million tons of sugar the United States was buying annually from the island. These purchases, he said, had made Cuba dependent on sugar and kept the country in a semicolonial state until Castro's revolution. Surely, Communist Cuba cannot complain, now that this so-called semicolonial status has been altered. No, Mr. Chairman and members of the committee, the record is clear and documented by the State Department itself in its white paper that Castro has deserted the Cuban people. The allotment of 1.5 million tons for a Cuba returned to the fold of free countries is fair and equitable and will never lead to any charge that the economy of Cuba is completely dependent upon U.S. purchases of Cuban sugar.

There is no reason why the United States should not expect foreign sugar suppliers to purchase agricultural products from the United

States. Guatemala favors the existing provisions of law requiring that special consideration be given to countries of the Western Hemisphere and countries purchasing agricultural commodities from the United States. Trade is a two-way street. This is only right and proper. Guatemala has purchased agricultural products from the United States under the sugar program. Guatemala continues to be ready and willing to cooperate with the United States in this respect.

For 1961, of the five Central American countries, Guatemala was the largest importer of U.S. agricultural commodities—\$9.5 million worth, an amount at least twice as large as any other Central American country. Guatemala has recently signed an agreement with the United States to purchase 12,500 tons of corn for 5,000 tons of sugar.

Guatemala is the best customer the United States has in Central America. To illustrate, for the 9-month period January–September 1961, United States exports to Guatemala amounted to \$45.1 million, including textile fibers and fabrics, lumber and paper, machinery and vehicles, chemical products, etc. For the same period, Guatemala's exports to the United States amounted to \$43 million, leaving an unfavorable balance for Guatemala of \$2.1 million.

With respect to social and economic reform in Guatemala, Hon. Teodoro Moscoso, Administrator of the Alliance for Progress program in the Agency for International Development, in his testimony before the House Foreign Affairs Committee in March 1962 on the pending Foreign Assistance Act of 1962 stated:

Guatemala has been one of the leaders among the Central American states in social and economic reform.

Mr. Moscoso further acknowledge that Guatemala "is a leading proponent of Central American economic integration."

Guatemala, under the leadership of President Miguel Ydigoras Fuentes, is dramatically demonstrating to the rest of Latin America what can be accomplished in the field of social and economic reform under a democratic form of government and a free society. For example:

School construction: 307 schools, with a total of 1,450 classrooms, have been built in this administration, which is more than the classrooms built during the past 50 years and the cost per classroom is less than one-third of the cost of the previous ones built.

Housing construction: 3,210 houses have been built and distributed among low-income families at a per unit cost of \$2,738, including land, urbanization, and overhead administrative costs. The living area is of 600 square feet and consists of three bedrooms, living-dining room, kitchen, and bathroom.

Land settlement: 26,000 parcels of land have been distributed. This plan of land resettlement is rapidly swelling the ranks of independent small farmers throughout the country. In addition to the property, the landowners are entitled to receive supervised credit with which to work their farms.

New laws in effect: (a) Rent law, which protects the low-income people from paying excessive rent, fixed at no more than 6 percent of the value of the property per month; (b) labor law: This law protects the workers in their respective jobs and from being fired without proven justification and which also entitles the worker to claim 1 month of salary per each year worked in the same firm. The

representatives of the syndicates cannot be fired; (c) FHA law is in operation since the beginning of 1953.

Legislation submitted for approval to the National Congress of Guatemala:

1. New agrarian reform law.
2. Penal code project.
3. Guarantee investment.
4. Law creating the free port of Matias de Galvez.
5. Civil service law.
6. Labor benefits bank.
7. Project of law concerning unproductive lands.
8. Project of law on family patrimonies and parceling of land.
9. Project of law creating the National Institute of Agrarian Transformation.
10. Project of law concerning agrarian development zones.
11. Income tax law (approved by the congress in its third reading).
12. Project of law on territorial tax.
13. Project of law creating the Housing Institute.

Potable water program: 110,000 persons have benefited with the introduction of potable water to small villages (this does not cover the capitals of the departments (States)).

Malaria eradication program: Great advances have been made in this respect. In 1958 Guatemala had 37 percent of positive cases while in 1962 Guatemala only has less than 1 percent of positive cases.

Mr. Chairman and members of the committee, the sugar legislation proposed in the House bill is good legislation. The quota premium system has withstood the ravages of time and crises. Let us not abandon it. Let us not abandon our friends. Because inter-American relationships are unique and are of special significance, let us not abandon the unique and specially significant existing sugar program of the United States and let us confine the program to this hemisphere. Thank you for the privilege of presenting these views.

Senator DOUGLAS. Thank you very much, Mr. Kaplan.

Our next witness is Mr. Frederick E. Hasler, chairman of Haytian American Sugar Co., S.A.

Please proceed, Mr. Hasler.

STATEMENT OF FREDERICK E. HASLER, CHAIRMAN OF HAYTIAN AMERICAN SUGAR CO., S.A.

Mr. HASLER. My name is Frederick E. Hasler. I am chairman of Haytian American Sugar Co., S.A., a Haitian corporation, which is wholly American owned and which is the owner of the largest sugar mill in Haiti.

We believe, first, that not only should Haiti continue to have a sugar quota, as it has had for almost 30 years, but that the size of that quota should be increased. Second, we believe that it would be disastrous to impose import fees which would have the effect of limiting the Latin American sugar producers to receiving the so-called world price for their sugar.

Last year Haiti produced approximately 83,000 tons of sugar; 30,000 to 35,000 tons is required for local use. This leaves an exportable

balance of 50,000 tons. This exportable balance of 50,000 tons can be readily maintained. Thus Haiti has a constant and close supply of sugar for the United States of at least 50,000 tons of sugar a year.

In the House bill (H.R. 12,154) Haiti received a permanent quota of 25,000 tons. We appreciate this as a step in the right direction. Last year, however, Haiti sold to the United States 45,273 tons. Thus, though our quota has been increased, our sales potential to the United States has been decreased. We respectfully request that our quota be increased to 50,000 tons.

Haiti is both a small country and a poor country but, for its size and wealth, has been a very good customer of the United States.

During the period 1957 to 1961, Haiti purchased goods from the United States in the amount of \$124 million while its sales to the United States amounted to \$94,400,000, leaving a balance of trade unfavorable to Haiti in the amount of \$29,600,000.

In the year 1961 Haiti purchased goods from the United States in the value of \$25,847,829. Its sales to the United States amounted to only \$19,013,788, leaving an unfavorable balance of \$6,834,141.

To assign a quota to a country, and then to impose import fees which would have the effect of limiting what could be received for the sugar to the world price, would be a meaningless gesture.

The cost of producing a pound of sugar and placing it in a warehouse in Haiti is in the order of 3.75 cents. The world price of sugar for July shipment is presently 2.7 cents a pound. Obviously we would not produce sugar for export under these conditions.

There is a common misconception that there is a great windfall to those of us who sell sugar to the United States. This is certainly not true in our case. In addition to the 3.75 cents per pound production cost, the Haitian export tax, freight, U.S. duty, and insurance totals 2.05 cents per pound.

Thus our cost of a pound of sugar on the dock in New York is 5.8 cents a pound and the price we receive for a pound of sugar in New York today is approximately 6.3 cents. This leaves 0.5 cents per pound for sale costs, overhead, etc. and profit. In addition to this the Haitian Government imposes on income tax of approximately 40 percent of our profits. I respectfully submit that this is no windfall.

The consequences of our not being able to export sugar would be disastrous to the economy of Haiti.

Last year our company purchased cane from 11,744 farmers, providing them with their sole source of cash. We employ permanently 2,500 workers and this increases to 5,000 during the crop season. Thus we alone and directly provide for almost 17,000 families or approximately 100,000 people in Haiti. The number of others indirectly supported by our sugar production would be many times this figure. We have not attempted to provide comparable figures for the other sugar mills.

Our employees receive wages of more than \$1,500,000 annually, at a rate $2\frac{1}{2}$ times the national minimum wage. The minimum wage in Haiti is 70 cents a day. Our minimum wage is slightly over \$1.80. This is very low by American standards but very high by the standards of this poverty-stricken Republic.

We paid \$1,900,000 to farmers last year and almost \$1,300,000 in taxes to the Haitian Government.

It is obvious, I submit, that if we could not export sugar to the United States, the effect on the economy of Haiti would be depressing. Economic assistance from the United States in the amount of the wages, farm income, and taxes which would be lost by this action would not begin to offset the damage to the Haitian economy.

The effect on the morale of the people of Haiti would be even more serious. There are no large estates in Haiti and the percentage of land owned by the people is the largest of any country in Latin America. The land in Haiti is owned in small parcels by many people. For them not to be able to sell the product of their land would not increase their faith in the free world's promise for the future.

The Alliance for Progress provides words of encouragement to our good neighbors to the south. Let us back up these words with trade as well as aid but let us not substitute aid for trade.

Let us not replace a sugar supply system which has worked well for almost 30 years, with a system that has already been proven inadequate—particularly at a time when the Russians could manipulate that system to serve their own needs and desires.

Senator DOUGLAS. Thank you very much, Mr. Hasler.

Our next witness is Mr. Robert L. Farrington, counsel on sugar legislation for the Republic of China.

Please proceed, Mr. Farrington.

STATEMENT OF ROBERT L. FARRINGTON IN BEHALF OF THE REPUBLIC OF CHINA

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 411 Colorado Building, Washington, D.C. I am appearing today as counsel on sugar legislation for the Republic of China, one of the foreign countries which is privileged to participate in the U.S. sugar market.

The Republic is deeply grateful to the United States, particularly to the Congress and the executive departments, for this participation. I hope to present some facts, however, which will show justification for increased reliance upon China as a dependable source of sugar supply for the United States.

China recognizes, of course, that determination of the portion of the U.S. sugar needs to be supplied by domestic growers is a matter to be determined entirely by those domestic growers and the U.S. Government. However, as a longstanding friend of the United States and as one of the largest producers and exporters of sugar among the countries participating in the U.S. Sugar Act, it is submitted that China may respectfully raise a point about inequities in the formula for dividing up the total foreign quotas among the countries involved.

The Republic is thankful for the partial correction of those inequities by the House Committee on Agriculture, and the House of Representatives in H.R. 12154. Based upon China's sugar production, however, and its capability and responsibility as a supplier of sugar, it is respectfully urged that a further increase in China's basic quota be given consideration by this committee.

The table of page 3 which follows is based on the 4-year average,

EXHIBIT "A"

STANDING OF PRINCIPAL FOREIGN COUNTRIES
PARTICIPATING IN U.S. SUGAR MARKET
WITH RESPECT TO U.S. SUGAR ACT OF 1948,
AS AMENDED, 1956, AND H.R. 12154

(1) AVERAGE SUGAR PRODUCTION 1957 - 1960 Inclusive In short tons	(2) AVERAGE TOTAL NET EXPORTS 1957 - 1960 Inclusive In short tons	(3) US QUOTA AS 9.4 Million Consump- tion Level (US Sug- ar Act as Amended 1956) In short tons	(4) COLUMN (3) AS % OF AVERAGE TOTAL NET EXPORTS	(5) US BASIC QUOTAS OF COUNTRIES IN COLUMN (3) AT 9.7 MILLION CONSUMPTION LEVEL (Proposed H.R. 12154) In short tons	(6) COLUMN (5) AS % OF AVERAGE TOTAL NET EXPORTS
(1) Cuba..... 6,415,814	Cuba..... 5,931,752	Cuba..... 3,119,655	Netherlands NET IMPORTER	Cuba..... 1,500,000	Netherlands NET IMPORTER
(2) Brazil..... 3,143,514	P.I..... 1,102,129	P.I..... 880,000	P.I..... 88.92	P.I..... 1,050,000	Costa Rica..... 572.31
(3) Mexico..... 1,471,611	Dom. Rep..... 903,594	Peru..... 95,257	Panama..... 87.93	Peru..... 200,000	Panama..... 363.99
(4) P.I..... 1,437,030	China..... 889,058	Dom. Rep..... 81,457	Costa Rica..... 68.96	Dom. Rep..... 200,000	Nicaragua..... 213.87
(5) Australia..... 1,332,258	Brazil..... 745,488	Mexico..... 64,809	Nicaragua..... 61.64	Mexico..... 200,000	Haiti..... 135.21
(6) China..... 1,000,639	Australia..... 719,471	Nicaragua..... 14,027	Cuba..... 52.39	Brazil..... 190,000	P.I..... 95.28
(7) Dom. Rep..... 990,415	Peru..... 539,956	Haiti..... 7,014	Haiti..... 37.93	B.W.I..... 100,000	Mexico..... 84.35
(8) Peru..... 790,921	B.W.I..... 287,471	Netherlands..... 3,560	Mexico..... 27.33	Australia..... 50,000	Peru..... 37.81
(9) Netherlands..... 587,878	Mexico..... 237,005	Panama..... 3,624	Peru..... 18.01	China..... 45,000	B.W.I..... 34.79
(10) B.W.I..... 319,922	Nicaragua..... 22,786	China..... 3,494	Dom. Rep..... 9.02	Nicaragua..... 30,000	Cuba..... 26.79
(11) Nicaragua..... 63,119	Haiti..... 18,491	Costa Rica..... 3,833	China..... 0.94	Costa Rica..... 30,000	Brazil..... 25.49
(12) Haiti..... 57,832	Costa Rica..... 5,362	Brazil..... 3	Brazil..... 0	Haiti..... 25,000	Dom. Rep..... 22.13
(13) Costa Rica..... 50,706	Panama..... 4,121	Australia..... 0	Australia..... 0	Panama..... 15,000	Australia..... 6.95
(14) Panama..... 25,518	Netherlands..... -183,769	B.W.I..... 0	B.W.I..... 0	Netherlands..... 10,000	China..... 5.06

NOTE: China's share outside of Basic Quota:
1960 --- 6,356 short tons
1961 --- 186,048 short tons
1962 --- 52,158 short tons
As proposed under H.R. 12154 --- 150,000 short tons

1957-60, for which the 1956 amendment to the Sugar Act was effective.

If you will look at the table you will note—

First: That China ranks only behind 5 out of the 14 countries (Cuba, Mexico, Brazil, the Philippines, and the Dominican Republic), as a sugar producer.

Second: That in its basic quota of the U.S. market, both under the 1948 act as amended, and as proposed in H.R. 12154, China is far down on the list.

The Republic is appreciative of the fact that under the discretionary authority provided in the 1948 act, as amended, the Secretary of Agriculture, undoubtedly with the concurrence of the Secretary of State, made additional allocations to China increasing its authorized imports into the United States up to 170,028 short tons for 1961 and 54,059 short tons for the first 6 months of 1962. This increased tonnage was of great help to the Republic; it is most grateful for this additional market for its sugar at a fair price. It is much more conducive to sound agricultural planning, however, for sugar producers as well as other farmers to know well in advance the possible extent of the market demands for the particular commodity which they produce; and this is true, of course, of the cane growers of China.

When the draft that became H.R. 12154 was pending in the executive departments, we asked that consideration be given to authorization in the proposed legislation of a basic annual quota for China of 300,000 tons. It appeared that a quota in that amount was fully justified in view of China's relative standing both as a sugar producer and as a sugar exporter. It appeared also that there was ample margin in the unallotted portion of U.S. needs to be furnished by foreign countries for a quota to China in that amount. As is evident from the bill, that request was not granted in full, although China's basic quota was increased to 45,000 tons and it was given an additional allocation of 150,000 tons through December 1963.

China again submits that a basic quota of 300,000 tons would not be unjustified in view of the its long record as a friend of the United States, and as the fourth largest exporter of sugar.

If, however, this committee should not feel justified in increasing China's basic quota to that amount, it is respectfully requested that consideration be given to increasing China's annual quota from 45,000 to 100,000 tons, and reducing the amount available for annual allocation to the Republic by the amount of the increase, namely, 55,000 tons.

When we talk about sugar production in the Republic of China, we are referring, of course, to the island of Taiwan, the principal area of agricultural and industrial production for the Republic at the present time.

Taiwan has a land area of 13,835 square miles, a little over 2½ times the size of Connecticut. It had a population of 10,792,000 at the end of 1960, about four times that of Connecticut.

The agricultural population is 4,795,000. About 50 percent of the sugarcane farms is owned by the growers and these farms consist, on the average, of eight-tenths of an acre. The average family is about six persons.

Sugar is Taiwan's most important crop. Approximately 1.2 million people depend upon it for a livelihood, and exchange earnings from

sugar exports amount to around \$75 million annually—approximately 45.5 percent of total exports.

Around 89 percent of the sugar is exported, mostly to Taiwan's traditional markets in the Mideast and Asian countries where Taiwan is now faced with relentless economic warfare from the Communists, due primarily to Cuban sugar.

The sugar sold in that market is sold at world prices which, as Mr. Kemp noted in his statement to the House Committee on Agriculture on May 15, does not reflect "the actual value of the sugar" (p. 18). Moreover, there is evidence that Cuban sugar is going into this market as was anticipated in the special study on sugar made by the Department of Agriculture, February 14, 1961, for the House Committee on Agriculture (pp. 1-2).

A larger volume of sugar purchases by the United States from China would also be helpful on China's balance of trade with the United States and should reduce the amount of economic aid that China receives from our Government. For example, the trade balance between the countries for 1960 and the first 6 months of 1961 was as follows:

	1960	1961, January- June
Imports from the United States.....	\$91,980,000	\$58,681,000
Exports to the United States.....	21,199,000	15,527,000
Total.....	75,781,000	43,154,000
Less economic aid from United States.....	59,005,000	39,301,000
Balance in favor of United States.....	16,776,000	3,853,000

It will be noted from the above that the Republic of China has been importing more goods from the United States than it is exporting to the United States.

Some of the imports to China were commodities under Public Law 480. Thus there would have been a greater balance in favor of the United States if these commodities had been paid for in cash. A greater reliance upon China by the United States as a source of sugar supply would help tremendously in adjusting this trade balance.

Mr. Chairman, I appreciate the opportunity of presenting this statement to the committee.

Senator DOUGLAS. Thank you very much, Mr. Farrington.

We will recess until tomorrow morning at 10 o'clock.

(By direction of the chairman, the following is made a part of the record:)

EMBAJADA DE EL SALVADOR,
Washington, June 19, 1962.

HON. HARRY F. BYRD,
Chairman of the Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have the pleasure of enclosing copies of the statement that was sent, on May 24, 1962, to Hon. Harold D. Cooley, chairman of the Committee on Agriculture, House of Representatives. This statement was submitted in support of our request that consideration be given to the assignment of a basic yearly quota to El Salvador in the amount of 20,000 tons of sugar, raw value.

It will be greatly appreciated if you will review the facts outlined in the enclosed statement, which it is sincerely hoped will meet with your approval. It is respectfully requested that the honorable members of the committee be supplied with copies of the enclosed.

Your favorable consideration to this request will be gratefully received.

Sincerely yours,

ARMANDO INTERIANO,
Chargé d' Affaires ad Interim.

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

Chairman Cooley and members of the committee, I have the honor to address the committee, on behalf of the Government of El Salvador, for the purpose of requesting that consideration be given to the assignment of a basic yearly quota of 20,000 short tons of sugar, raw value, to El Salvador.

The above request is based on the Sugar Act objectives: " * * to protect the welfare of consumers of sugar and those engaged in the domestic sugar-producing industry; to promote the export trade of the United States * * *." The Sugar Act, as amended, also states "that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities." El Salvador qualifies under both criteria.

The sugar quota of 20,000 short tons raw value that El Salvador requests is an insignificant amount when viewed in relation to total U.S. sugar consumption of 9.7 million short tons. Nevertheless, it is of paramount importance to the economy of El Salvador, for the following reasons:

1. The sugar is El Salvador's third most important export crop.
2. The United States is the natural outlet market for El Salvador's sugar exports.
3. It would help stabilize El Salvador's foreign income and would help it to earn more dollars to pay for its imports—machinery especially—which are important to its development program.

I take the liberty to offer, Mr. Chairman, a brief analysis of the sugar situation in El Salvador. As you are probably aware, my country, one of the signatories of the Punta del Este Charter, has faithfully fulfilled the mandates, postulates, and recommendations emanated from this historic document. In part 5, title I, which describes the objectives of the Alliance for Progress, the American Republics agreed "to raise greatly the level of agricultural productivity and output and to improve related storage, transportation, and marketing sources."

My government has taken the above measures as regards to sugar. Output has been increased considerably in qualitative terms, introducing better qualities of sugarcane, highly improve farming methods, and modern industrial techniques. These together with the favorable geographic position of El Salvador with respect to the United States, assure the reliability of my country as a good sugar supplier.

It would seem, from what I have described, that the situation is one of bonanza. However, this is not the fact. The neighboring Central American countries, toward which a good part of our sugar trade was oriented, have, likewise, increased their sugar production, thus closing sugar outlets for El Salvador.

The closing of our traditional Central American markets, and the uncertainty of being unable to export sugar to the United States are elements that cause a serious socioeconomic imbalance, because the entrepreneurs could restrict buying sugarcane from the small producers.

In this connection, stressing the Charter of Punta del Este, and in order to obtain a better redistribution of the national income, my government has promulgated a series of economic and social legislation. Some of these laws are—

- (a) Law to provide remunerated rest on Sunday for rural laborers.
- (b) Amendments to the leaseholding law.
- (c) Law for the protection of the salary.
- (d) Law providing minimum wages for commercial employees.
- (e) Law for the protection of rural workers.
- (f) Amendments to the income tax law.
- (g) National Council for Planification and Economic Coordination.

The assignment of a sugar quota to El Salvador would have no detectable effect on other supplying countries, but it would make an appreciable contribution toward helping El Salvador diversify its production and stabilize its foreign

earnings which are subject to cyclical movements due to the fluctuations of the prices of the primary products. These considerations will grow in importance as El Salvador's economic development program gathers momentum.

In conclusion, it is sincerely hoped that the chairman and the members of the Committee on Agriculture will give a favorable consideration to the present request.

TABLE I.—Regional balance of payments, 1957-61

[Million colones; 1 colon equals U.S.\$0.40]

Country	Imports					Exports				
	1957	1958	1959	1960	1961 Jan.- July	1957	1958	1959	1960	1961 Jan.- July
America.....	186.0	173.6	160.3	183.4	94.5	177.2	138.7	134.0	134.8	82.7
Canada.....	4.2	4.5	5.5	5.2	2.8	2.0	2.3	5.5	1.0	.5
Colombia.....	1.2	1.1	.7	.4	.1	.2	.2			
United States.....	148.3	130.6	110.4	131.2	65.9	158.2	115.2	100.7	102.4	61.6
Guatemala.....	6.2	7.6	10.7	13.0	9.4	5.9	7.4	10.4	15.2	10.2
Honduras.....	12.4	15.7	16.2	16.7	9.7	5.9	8.6	10.1	9.9	6.7
Mexico.....	5.3	5.0	4.3	5.1	2.5	.2		.1	.2	
Nicaragua.....	2.1	1.9	3.0	3.5	1.1	2.9	2.9	4.2	3.6	1.7
Panama.....	2.1	2.9	2.4	2.7	.5	.1	.1	.2	.4	.2
Venezuela.....	1.4	1.8	3.3	3.3	3.3	1.4		1.0	.1	
Other.....	2.6	2.5	3.8	3.3	1.1	1.8	7.7	1.8	2.0	1.8
Asia.....	16.9	13.2	12.2	22.6	12.2	17.3	31.7	42.2	34.2	
Japan.....	16.7	13.1	12.1	22.5	12.2	17.3	31.7	42.0	33.6	
Other.....	.2	.1	.1	.1				.2	.6	
Europe.....	84.4	82.4	75.5	98.7	55.9	151.6	119.6	107.1	122.0	86.8
Germany.....	22.9	25.4	21.9	31.3	16.6	104.7	94.1	79.1	97.2	72.7
Belgium.....	13.1	8.9	7.1	11.5	6.9	7.0	5.2	3.5	4.4	2.2
Denmark.....	1.0	1.6	1.7	2.3	1.3	.3	.7	1.7	2.2	1.1
France.....	4.6	3.1	4.4	4.9	2.1	10.9	1.2	3.3	.5	.1
Great Britain.....	13.4	11.9	10.0	12.3	6.9	4.6	3.0	4.5	1.6	.2
Holland.....	17.7	19.0	17.9	20.8	14.5	12.8	6.9	7.9	7.3	5.9
Italy.....	4.5	4.1	5.2	6.7	3.1	5.6	5.4	4.8	2.2	1.5
Sweden.....	2.3	3.1	2.3	2.2	1.0	3.9	2.1	1.8	3.9	2.4
Switzerland.....	2.5	3.2	2.5		2.2	.7	.7	.3		.6
Other.....	2.4	2.1	2.5	6.7	1.3	1.0	.3	.2	2.7	.1
Others.....	.4	.9	.9	1.3	1.0	.2	.1	.1	1.0	.1
Total (colones).....	287.6	270.1	248.8	306.0	163.6	346.2	290.1	283.4	292.0	206.9
Total (dollars).....	115.0	108.0	99.5	122.4	65.4	138.5	116.0	113.4	116.8	82.8
Trade balance (dollars).....						23.5	8.0	13.9	-5.6	17.4

Source: Central Bank.

STATEMENT ON BEHALF OF THE SUGAR INDUSTRY OF COSTA RICA

Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the sugar industry of Costa Rica. Costa Rica, it is true, is one of those little Latin American countries that has been discussed here with affection, but there is a difference as far as we are concerned, and it is that difference that I would like to present to the committee.

The Republic of Costa Rica lies between Panama and Nicaragua in Central America. Its land is fertile and productive. It possesses ports on both oceans to facilitate its international trade and the economy is primarily agricultural. In this era of upheavals, riots, and revolutions, this nation is a fascinating working example for all in its political and social stability. While democracy in action has become a mere slogan in most parts of the world, here you can find it operating daily with responsibility. The President walks the streets of the capital, San Jose, without fear or bodyguards. The widespread distribution of wealth, a vigorous agrarian reform that finds one out of every five Costa Ricans owning his own land, and the intensive expansion of educational facilities as the foremost national aim, are the keys to why Costa Rica is different.

May I give you an unusual example. Costa Rica has no army. With a great

sense of the practical, the constitution of 1949 decreed that money formerly invested in the army would go to building schools, and all weapons were exchanged in the United States for plows and tractors. The educational drive was intensified to such a degree that the illiteracy rate of the population was reduced to 17 percent. To be a citizen here is a source of pride. This spirit is reflected in their leaders and measures were initiated to insure collective well-being. No community, however small or remote, has been excluded from the benefits of these guarantees of a better life.

Internationally, Costa Rica has followed a single line of conduct, characterized by a scrupulous respect for agreements and treaties. I would like to direct the committee's attention to a most salient fact. Costa Rica stands in the forums of the world, and the hemisphere, ready to defend the principles of freedom and democracy. She has one vote, which when cast is of equal importance to the vote of any great or large nation. It is with conscious deliberation that this vote is given, and never at any time has there been an implication that this vote could be bargained for or bought. I stress this to the members of the committee, for while Costa Rica is, in all probability, the most constant nation in her friendship for the United States, her support to this great friend has been given freely, with dignity, in mutual defense of liberty. She has consistently repudiated the ideology and destructive maneuvers of the Soviet Union, maintaining no relations with that country. The existence of the Communist Party is forbidden by law. Trade relations are incompatible as well as unthinkable, and at no time would ever be considered. Small as Costa Rica is, she has often taken the initiative in her friendship with the United States. She did so after the treacherous attack on Pearl Harbor, declaring war on Japan and the Axis Powers a full day before the United States.

I have stressed the character and behavior of the Costa Rican people to show the committee that there exists a real difference, politically and socially. Now I will present the economic difference.

As a country with an overwhelmingly agricultural economy, the major part of their income is derived from the exports of what they produce. The revenue from this source does not constitute the patrimony of a few but belongs to the majority of the population since the distribution of land compels this. The growth of the population is increasing continually as Costa Rica has among the highest birth rates in the world, and this compels them to produce on a larger scale, to extend their markets, and to follow, perhaps more quickly than most Latin countries, the pace of progress. It, therefore, became necessary many years ago to substitute the monoculture of coffee with a diversification of agricultural activities to balance the economy of the country and to maintain and increase their standard of living which is the highest in Central America.

Sugar represents an important factor in this economy. Land which was unprofitable for raising other crops now is valuable in the cane it yields and as a source of employment. Sugar is not a family affair in Costa Rica; 27,000 small farmers cultivate cane on their own land. Fifty-three percent of the sugar farms are less than 34 acres and 90 percent are less than 170 acres. There are 33 mills. Counting the families of the sugarcane farmers and the employed laborers, one-tenth of the population depends on sugar for a livelihood. Sugar is serious in Costa Rica. Here it is not a case of one or two mills accruing great wealth on one hand and dispensing pennies with the other to those slaves of the soil that are able to raise a few acres of cane. No such inequity exists here, for the chamber of sugar which consists of the 33 mill owners guarantees to the 27,000 farmers a minimum yearly price plus a share in whatever other benefits are received.

When I ask the committee to consider the difference of Costa Rica, I respectfully request them not to consider Costa Rica collectively in that group of "little Latin America countries" but singly and on her own merits and performance. We have been one of the children of the Sugar Act since 1948. When our great and good friend to the North could no longer bear the insults of Castro and shut the door to the sugar of Cuba, we stood ready, without any long-term guarantees, to fill the void to the extent of our capacities. These past 3 years, we have built up a historical performance. In adjusting the basic quotas of the original quota countries, we ask that this record be considered as well as our future capacity of production. It is our hope that before quotas are considered for new countries, consideration is given to those of us who have been around with you a long time. Last year Costa Rica shipped to the United States 30,250 tons with a basic quota of only 3,616 tons. This year our estimated surplus will be 45,000

tons and by 1966 our surplus will reach 80,000 tons. We understand and agree wholeheartedly with the committee in reserving a specified amount for Cuba when she returns to the fold of free nations. There would not be one of us who, for selfish reasons, would withhold this aid of our sad neighbor. Our request, therefore, is for a reasonable increase of our basic quota to 30,000 tons and a proportionate share of the Cuban allotment and the deficits as long as they continue. All of our future quota will enter this country as raw sugar. We have adjusted our mills to fill this requirement and stand ready to do so now.

With this assurance, the sugar industry will continue to be a vital, growing force in the economy of Costa Rica. Without it will come unemployment, poverty, and stagnation. These factors will sow the seeds of a future filled with unrest and instability. Our commercial trade balance with the United States has been unfavorable to Costa Rica for many years. In 1960, the deficit was \$13 million; in 1961, the amount was \$10 million. We are among your biggest customers per capita. We want to continue to buy from the United States, but we want to pay for what we purchase with money that is earned, not borrowed. We do not wish to turn elsewhere because of lack of dollars.

While this increase will bring many mutual advantages, Costa Rica would like to proffer a small gesture to her friend. Each year, 5 percent of her entire quota, basic and nonquota allocation, will be set aside, stored and financed by the chamber of sugar, to be at the call of the United States in case of emergency. This special reserve will grow from year to year and does not carry with it any sort of an obligation on the part of the United States.

Mr. Chairman, Costa Rica is a small nation but her capacities are large for democracy, for work, and for friendship. I thank the committee for their attention.

UNITED PACKINGHOUSE, FOOD & ALLIED WORKERS,
AFL-CIO,
Chicago, Ill., June 21, 1962.

HARRY F. BYRD,
*Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.*

MY DEAR SENATOR BYRD: On May 17, 1962, this organization presented testimony to the House Agriculture Committee in connection with pending sugar legislation. We are most anxious that this testimony become part of the official record of the current hearings before the Senate Finance Committee.

Would you therefore be so kind as to see that the enclosed statement be included in the official record of your committee.

Respectfully yours,

RALPH HELSTEIN, *President.*

**WAGE STANDARDS OF AGRICULTURAL WORKERS IN THE SUGAR INDUSTRY—
STATEMENT OF THE UNITED PACKINGHOUSE, FOOD & ALLIED WORKERS, AFL-CIO,
ON EXTENSION AND REVISION OF THE SUGAR ACT OF 1948**

U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. Therefore, this is an opportune time to review the effectiveness of the present sugar-control machinery as it affects the basic sugar producer—the fieldworkers on the cane plantations and beet farms.

SUGAR—A SUBSIDIZED INDUSTRY

The U.S. sugar industry has been heavily subsidized for many years, first by tariffs, and, since 1934, by means of a quota system that guarantees domestic producers a market at a price substantially higher than the world market price. Senators Paul H. Douglas and J. W. Fulbright have recently estimated the extent of the subsidy at 10 to 20 billions of dollars since 1934.¹

When the Roosevelt administration adopted the Jones-Costigan Act in 1934 the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stabilize prices without harming consumers, to effect a shift of income from processors (who weren't doing so badly) to growers

¹ S. Rept. 125; 87th Cong., 1st sess., p. 10.

(who were doing miserably), and, in so doing, to insure that the farmworkers shared in the benefits.

Since 1934 the Sugar Act has often been amended, but its basic purposes and procedures remain unchanged. After 27 years' experience, it is clear that the act has been successful in meeting all its major objectives—with one glaring exception: the farmworkers, the base of the whole pyramid, have derived no benefit. Sugarfield workers in Hawaii are an exception—they are far better off than they were, but the improvement in their income and living standards cannot be credited to the sugar legislation; it is the result of union organization.

However, since 1934 the economic picture has radically changed. The need then was to raise sugar prices and to redistribute the industry's income as between processors and growers and, indirectly, the fieldworkers. Now, during the prosperous postwar years, the effect of the act has been to hold down the price of sugar relative to other agricultural prices. The result has been an unanticipated profit bonanza for the big industrial users who swallow two-thirds of the industry's product. The principal beneficiaries of the act have been Coca-Cola, Hershey, Wrigley, and the other industrial users, including the fruit canners. The prices of pop, of candy, of chewing gum, and of canned fruits have all gone up along with other prices, while the price of their raw material—sugar—has risen only very slowly. The resulting phenomenal profits for some of these companies are shown later.

Now is the time for a thorough reconsideration of the whole purpose of the Sugar Act. The country cannot sit idly by and see millions of dollars pouring into the coffers of the industrial users at the same time that the fieldworkers are getting no benefits whatever. This was not the purpose of the act originally; it should not be the result of the act today.

As was recently pointed out, "We have developed a thoroughly managed sugar economy."¹ The questions raised by this paper are: What has become of the fieldworker? How has he fared in this managed economy?

WHY IS HE THE FORGOTTEN MAN?

The sugar worker has actually received no benefit whatever from the Sugar Act. Other segments of the industry—the industrial users, the processors, the growers, and the consumers—have all benefited from the stable and assured prices guaranteed by the act.

In fact, the workers who produce the sugarcane and the sugarbeets are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As this statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the USDA at whatever is the prevailing farm rate in the area. Thus, the Government's stamp of approval is put on such substandard wages as 75 cents to a dollar in the beet areas, 60 to 70 cents in Louisiana, and 36½ cents in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the USDA.

THE "FAIR AND REASONABLE" WAGE DOCTRINE

The President of the United States, in his message to Congress recommending passage of sugar legislation in 1937, said:

"It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by the quota system, or a tariff, *Should be expected to guarantee that it will be a good employer.* I recommend therefore that the prevention of child labor, and the payment of *wages of not less than minimum standards*, be included among the conditions for receiving a Federal payment."¹ [Emphas added.]

The 1937 Sugar Act and all subsequent versions have carried the provision that the Secretary of Agriculture, after appropriate hearings, shall establish "fair and reasonable" wages for sugar workers. But the act failed to specify clearly the standards to be applied in setting the rates. It simply said that the Secretary "shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the difference in conditions among various producing areas."²

¹ "Special Study on Sugar," a report of the special study group of the U.S. Department of Agriculture for use of the House Committee on Agriculture.

² Sec. 301(c)(1).

In practice, the "fair and reasonable" wages as set by the Secretary have been no higher than those prevailing in the particular area in question. In Hawaii, where wage rates have been established by collective bargaining since 1945, the Secretary has determined that the union rates are "fair and reasonable." Elsewhere, according to spokesmen for the USDA, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas," and "ability to pay," i.e., "the economic position of producers in relation to available market returns."

Consideration of trends in living costs has been limited to trends in the prices of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers."⁴ Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

In the public hearings, which are provided for in the law as a protection to all parties, the Secretary almost always has only such information as the growers provide. The resultant wage determinations determine what is the prevailing wage in the area in question. How else can one explain a "fair and reasonable" minimum wage of \$1.46 per hour in Hawaii (the union rate for labor grade I, effective February 1, 1962) and a wage of \$2.92 per day (which on a per hour basis is 36½ cents) in Puerto Rico for the same crop year?⁵ These are the latest determinations for these areas. It is obvious that the alleged "standards" used by the Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept of a fair minimum wage would justify any such differentials as this. The cost of living does not vary that much from one part of the country to another.

In Puerto Rico, the USDA's distortion and perversion of the "fair and reasonable" doctrine with respect to wages has received its harshest expression. Evidently, with its attention always centered on keeping the grower-processor interests in Puerto Rico on a "competitive" par with other U.S. sugar-producing areas, the cane-field worker in Puerto Rico has been placed at the bottom of the totem pole.

The criteria used by the USDA are quite clear—and these criteria are those which directly contradict the standards for a fair minimum wage. In the USDA wage determination for the 1961 crop and cultivation of the 1962 crop in Louisiana, these criteria are made explicit:

"An analysis of returns, costs, and profits of sugarcane production and other relevant factors indicates that the increase in the wage rates provided herein are fair and reasonable and within the ability of producers to pay."⁶

Lest anyone be misled by the "forcefulness" of the USDA's language, it should be noted that the increase was 5 cents per hour, which would bring the minimum close to 87 cents per hour.

The Puerto Rican wage, previously noted, came as a result of the most recent wage determination, which provided an increase of 9 cents per day. (Parenthetically, it should be noted that the insular government in Puerto Rico has assumed jurisdiction over cane-field workers' wages, but the USDA has not released its own jurisdiction. As a practical matter, with the USDA continuing to make determinations on prices for raw sugar and on conditional payments, the insular government has apparently felt—we think mistakenly, and we have so testified in Puerto Rico—that it cannot get much "out of line" from what the USDA sees fit to do with respect to minimum rates for fieldworkers.)

SUGAR WAGES FOLLOW FARM WAGES

A look at chart I confirm the conclusion that the Sugar Act provision for "fair and reasonable" wages has done nothing to bring earnings of sugarfield workers up to a truly fair and reasonable level. The chart shows the movement of sugar workers' earnings for the period 1946 to 1960, compared to the earnings of indus-

⁴ "Wage Determinations Under the Sugar Acts," Ward S. Stevenson and Linwood K. Bailey, Sugar Division, Department of Agriculture, published in Sugar Reports, December 1954.

⁵ Stevenson and Bailey, op. cit.

⁶ Minimum Wage Board, Commonwealth of Puerto Rico, Department of Labor. Mandatory decree No. 50, Jan. 3, 1962.

⁷ "USDA Wage Determination for Louisiana Sugarcane Workers," quoted in Sugar y Azucar, December 1961, p. 47.

trial workers and compared to farm wage rates generally. Two conclusions are immediately obvious:

1. Except for Hawaii, field sugar wages are comparable to farm wages generally, and have risen at the same slow rate. Beet area earnings are higher than cane earnings in Florida and Louisiana, not only because wages in the south are lower, but also because of the greater proportion of skilled workers in the beet areas, now highly mechanized.

2. Earnings of field sugar workers, along with farm wage rates generally, are far below the earnings of industrial workers and have been falling farther and farther behind. Earnings in beet areas, which averaged about two-thirds of earnings in manufacturing in 1946, now are only a little more than one-half of the earnings of manufacturing workers.

A DEAD LETTER

The only possible conclusion is that section 301(c) (1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed. The industry is being subsidized, but none of the subsidy trickles down to the workers. The industry is far from being a "good employer," to refer again to President Roosevelt's message. As has been demonstrated, the interpretation of the "fair and reasonable" doctrine by the USDA and the administrative wage determinations resulting from this interpretation has produced a situation of vast inequities for the canefield workers.

INCOME OF FIELDWORKERS

Given these wage determinations by the USDA, the resulting income situation within which the canefield workers find themselves has not only not improved, but in fact it has worsened.

During 1960, for example, average hourly earnings in Puerto Rico were \$0.502. Yet, this figure considerably overstates the economic position of the majority of canefield workers. This figure is a weighted average (weighting by numbers of workers in each type of job) and thus for the bulk of the workers, the actual wage was much less. Furthermore, earnings per hour are even less meaningful for income comparisons, when it is remembered that average weekly hours are considerably less than 40. Thus the average weekly income of the workers in sugar are incredibly low—even discounting the abysmally low standards created by the USDA wage policy.

The following data indicate the actual income situation of sugar workers in Puerto Rico. For the 80,302 workers hired in March 1961, the busiest harvest month, hours average only 28 per week and earnings (on the basis of an average of \$0.485 per hour) averaged only \$14.68 per week. For canecutters who numbered 45,429 and accounted for nearly 57 percent of total employment in seasonally busy March, hours averaged 28 per week, average hourly earnings \$0.466 and weekly earnings \$13.75. For one of the higher paid jobs, tractor drivers, weekly hours were a little longer—30 hours per week, but their earnings were only \$21.70 per week, based on a wage of \$0.649 per hour—and this includes \$1.79 "incentive" compensation. It is to be noted, however, that this relatively "high" wage by USDA standards applies to only 1,893 tractor operators or 2.4 percent of the total.

For a full season month such as August, after the harvest is over, not only did employment fall off from its 80,302 peak in March to 35,850, but earnings also took a nosedive, averaging only \$10.56 for not quite 24 hours a week.

Canecutters are entitled to a special note. The \$13.75 average of 1961 earnings they received for their "best" month—March—may be compared with \$13.54 they received in March 1958, 3 years earlier, an increase of 21 cents per week, in the face of substantial increases in living costs. Moreover, in the 3-year period 1958 to 1961, the reduction in the number of canecutters was 10,948, a decline of 19.4 percent or almost one-fifth. Meanwhile, their hours fell 5.3 percent, from 29.5 to 27.9.

* The following wage data were taken from the Department of Labor, Commonwealth of Puerto Rico's publication: *La Industria Azucarera En Su Fase Agrícola, 1961*.

What are the seasonal earnings of the cane field worker? It is difficult to estimate this exactly, but assuming the \$13.75 per week previously cited for cane field workers in 1961, and assuming further a 4-month season—which we are certain many do not experience—then seasonal earnings might be in the area of \$250 per year. What does the cane field worker do the rest of the year? He picks up such odd jobs as he can find; if he has a little patch of his own on the mountainside, he scratches from it what is possible; he draws meager unemployment compensation for very limited periods; and, increasingly, he goes when possible to work in the truck crops of New Jersey, Pennsylvania, and New York—and remains on the mainland if he can manage. In fact this discussion might well be headed: "Why Puerto Ricans Go to the Mainland." Our thesis is that much of this urge or push to migrate has been supplied by the misapplication for the "fair and reasonable" doctrine, as practiced by the Department of Agriculture with the ultimate responsibility resting on the Department's Secretary.

Furthermore, contrary to the notion that the situation in Puerto Rico represents something unique, consider the case of Florida where much of the work in sugar is done by migrant labor. In reviewing the intolerable conditions of migrant labor, the Sixth Federal Reserve District's Monthly Review said:

Earnings.—Southern migrants earned an average of \$644 for their farmwork in 1959, according to the USDA. Since migrants are deprived of the fringe benefits usually enjoyed by farmworkers, those wages represent everything they got from the farm. One reason these earnings seem so low is because migrants are not employed regularly. In 1959, southern migrants worked only 120 days, on the average, partly because they spent much time traveling from job to job and partly because work was often unavailable. Migrants harvest crops that are generally delicate, and they can do so only when weather conditions are just right. Then, too, time is often lost while crops are maturing."

And as to the question of whether or not these conditions would improve, the same article noted that, "despite this need for workers in Florida experts believe there is little prospect for much improvement in wages." The reason: as the article points out and what almost everyone already knows, cheap labor, due to a large available supply; and the cheap labor reduces the incentive to invest in capital equipment which would have the effect of raising productivity.

PRODUCTIVITY AND LABOR COST

The USDA, as noted earlier, has been concerned that its wage determinations pay close attention to the question of the "ability of the growers to pay." We do not believe that the financial and profit position of the growers should be of decisive consideration in shaping the size of wage determinations, but if there is any question about the general position of the growers who represent the bulk of acreage and output in this highly protected industry, a few central figures should dispel any misapprehensions. First, it is worth recalling that large landowning and processor interests go hand in hand. Outstanding in this respect, in Puerto Rico, is Central Aquirre, with its landowning affiliate, Luce & Co. Further confirmation of the same fact can be seen by looking at the distribution of production by mills in 1960 and 1961. Note that the tendency is for greater concentration.

* Sixth Federal Reserve District, Monthly Review, January 1962, p. 3.

* Ibid.

Production of sugar in Puerto Rico by mills¹

[Short tons, 96° basis]

Mill	1960	1961
Aguirre & Associates.....	108,455	128,015
Guánica.....	91,305	118,198
Mercedita.....	78,830	88,174
Coloso.....	72,007	73,554
Plata.....	62,949	62,657
Fajardo.....	47,819	52,297
Iquidá.....	43,200	40,058
Total.....	494,580	561,953
Percent by 7 mills of total Puerto Rican production.....	49	51

¹ Manual of Sugar Statistics, 1962, p. 3. Association of Sugar Producers of Puerto Rico.

Over the years these interests, in which there is substantial mainland capital, have certainly prospered. They have assumed they are "entitled" to profit rates at least equal to those prevailing on the mainland, and their vast sugar plantation holdings have been highly instrumental in achieving this goal. Latest proof that investment funds find the sugar industry of Puerto Rico attractive is the appearance on the Puerto Rican sugar scene of the Brewer interests which are heavily involved in the sugar industry of Hawaii.

Further evidence on the concentration of landowning and control in Puerto Rico is provided by these figures: in 1960, 83.2 percent of the raw sugar was produced by 12.3 percent of the farms.¹⁰ This means a numerically small group hire the great bulk of the field labor. Implicit, too, is the fact that substantially higher minimum wage rates would not entail higher payrolls for the numerically important farms which account for a small total acreage (those of 5 or less acres), for they do not hire labor. In fact, to the extent that their big farm "competitors" have to pay more for cane field labor, the cost disadvantage of the small farmer—and this would go somewhat above the 5-acre holdings—would be reduced.

As is well known, Florida cane is grown on large plantations. The USDA figures show that there are only 13 farms producing cane in Florida, and considering the size of the output there can be no question as to the earnings and profits of these concerns.

PRODUCTIVITY AND REAL WAGES

Since 1950, in terms of man-hours per acre of cane, labor productivity has risen nearly 40 percent in Puerto Rico, and the rise in Louisiana and Florida has been even more impressive.¹¹ At the same time, however, real wages of cane-workers in Puerto Rico have risen only 12 percent. Turning to chart II, we can see that the spread between productivity and real wages has been growing each year since 1953 with the exception of 1958. Since 1959, the trend has become accentuated. Note here that the Consumer Price Index for Puerto Rico has been steadily moving upward so that even by the USDA criteria, there has not been the slightest semblance of "fair and reasonable" wages.

In the mainland cane areas, the trend of productivity has been the same, only more so. In Florida, productivity in the period 1950-60 rose by roughly 150 percent, but this almost incredible rise in productivity has been "matched" by only a 34 percent increase in real wages.¹²

In Louisiana, real wages rose by 34 percent, but productivity during the same period rose by about 125 percent. The gain in productivity, which has meant lower production costs in every cane area on the mainland and in Puerto Rico, has never been passed on to the workers who have contributed in large measure to the gain. Even the sugar industry makes no bones about the facts:

"Summarizing for all areas, reductions in man-hour requirements were made in every field operation but the most significant savings were accomplished in

¹⁰ *La Industria Azucarera En Su Fase Agrícola*, passim.

¹¹ Productivity measures for the period are derived from the average increase of 15 percent for Florida and 12.51 percent for Louisiana which are given in "Labor Productivity on Sugarbeet and Sugarcane Farms in the United States." Sugar Reports, November 1961.

¹² *Ibid.*

cultivation and harvesting. These savings are due in part to the increasing percentages of acreage mechanically thinned and mechanically harvested."¹²

Most important, note that it is precisely in the areas of cultivation and harvesting that wages have been and continue to be at levels which any reasonable person would call "unreasonable."

THE SUGARWORKERS AS MIGRANTS—"THE MOST ISOLATED AND FORGOTTEN PEOPLE IN AMERICA"

The "Harvest of Shame," which so aptly describes the conditions under which migrant farmworkers in this country live and labor, also applies to the sugarworker. For he, too, in many cases, falls under that ubiquitous term which categorizes America's most downtrodden and unprotected. For example, within the Sixth Federal Reserve District alone, there are roughly 85,000 migrant workers, earning an annual income of less than \$700 and with virtually none of the protections given the urban worker.¹³ In Florida, where the present "boom" in sugar is expected to result in a 250 percent increase in sugar acreage by 1960, many migrants have been employed in the canefields. With the USDA policy of keeping sugar wages as low as the prevailing farm wage in the area, it is understandable why the growers find it profitable to employ migrant labor in the canefields. Even with mechanization, the plight of the migrant continues, and one of the principal reasons is summarized in the comment of the Federal Reserve's article on southern migrants:

"Farmers have had little incentive to substitute machinery for this low-cost hand labor. Unlike harvesting equipment that is expensive for farmers to keep up even when not in use, migrant workers cost the farmers nothing when unemployed."¹⁴

The previously cited figures on Florida caneworkers' productivity—150 percent increase in the past 10 years—dispels any argument with reference to what is due them, and the needs of these workers with annual earnings less than \$700 is obvious. Finally, it is clear that the problem of the migrant worker cannot be alleviated without the efforts of the Government. For the effect of poverty is to breed more poverty. Impoverished families, whose livelihood is dependent on the USDA deterioration of the growers' "ability to pay," inevitably produce more ill-clad, undernourished, and poorly educated migrants, who, like their parents before them, are unable to escape the vicious cycle.

COLLECTIVE BARGAINING FOR SUGARWORKERS

Sugarworkers in continental United States are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus, an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of the large growers, the masses of unemployed in growing areas, and from the organizational weakness of the workers. The situation is thus to some degree circular; the workers cannot readily organize because they are not organized, and the army of unemployed is competing for their jobs. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor law to cover the sugarworkers.

WHO ARE THE BENEFICIARIES?

If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time, they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods, confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaran-

¹² Roy J. Leffingwell, "Human Relations," *Sugar y Azucar*, March 1962.

¹³ Monthly Review, loc. cit.

¹⁴ *Ibid.*

teed a profit bonanza. The following figures (from Moody's Industrials) are profits after taxes as a percent of net worth for the companies listed for the period 1948 through 1960:

[In percent]

Company	Range 1948-60	
	Low year	High year
Coca-Cola.....	14.8	24.3
Peppi Cola.....	7.1	24.2
William Wrigley, Jr.....	13.0	21.0
National Biscuit.....	10.7	15.3
Hershey Chocolate.....	10.8	30.0

That section of the Sugar Act (sec. 201) which establishes the criteria to be used by the Secretary of Agriculture in determining the overall quota of sugar for consumption purposes, provides that the "determination shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry * * *."

The above profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously the price of sugar has not been excessive.

Profits of sugar producers and processors have been adequate and assured. They have benefited from an assured market and a stable price. Now, under the circumstances of expanding domestic quotas, their outlook for the future is even better.

Rosy prospects for the domestic growers and processors are indicated by the "Special Study on Sugar" prepared for Congress this year by the Department of Agriculture. Projections made by this study group led them to the conclusion that "the domestic sugar industry has a substantial capacity to expand at present prices for sugar crops and present price relationships with competing crops." And "at prices and price relationships that have prevailed in the recent past, domestic sugarcrowers have the capacity to produce over 8 million tons by 1970 compared with 5 million tons in 1959—the base year for these projections—and the estimated 5.7 million tons in 1961."¹⁷

GROWERS HAVE RECEIVED MANY MILLIONS IN SUGAR PAYMENTS

The Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payment provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a large tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small canegrowers in Louisiana receive the maximum. This results in a highly anomalous situation; the area which pays the highest rate of wages receives the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments.

Many growers who pay less than \$1.15 per hour, the present Fair Labor Standards Act minimum, are nevertheless receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary with the level of wages paid—the higher the wage, the higher the sugar payments.

Over the years during which such payments have been made (1934-60), they have aggregated \$1,341 million.¹⁸ This enormous sum has been paid to the industry out of the Federal Treasury at the same time that the industry has been paying the miserable wages described above.

¹⁶ Op. cit., p. 3.

¹⁷ Ibid.

¹⁸ Source: For 1951-59, "Agricultural Statistics," 1960, pp. 546 and 547; for 1934-50, "House Hearings on Extension of Sugar Act," Committee on Agriculture, serial J, p. 81. The figures for the years 1934-50 include Sugar Division administrative expenses.

Far more significant is the quota premium—amounting to \$10 to \$20 billion over the years since 1934—which arises out of the maintenance within the United States of a price which is higher than the world price. Both the domestic and the foreign producers have been benefiting from this price differential.

Our complaint is not with the existence of the subsidy. We recognize that the long-run stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such a subsidy has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

We estimate that in 1960 foreign producers alone received a windfall from the quota premium (the difference between the domestic price and the world price) amounting to \$180 million. To raise wages to the statutory minimum required by Fair Labor Standards Act, we estimate, would cost only about \$30 million per year. This estimate is based on Department of Agriculture figures on man-hours worked and assumes that all fieldworkers are entitled to the present Fair Labor Standards Act minimum of \$1.15 per hour.

The U.S. Treasury, under the terms of the present Sugar Act, already derives a profit from the act's operations. Receipts from the excise tax levied on the processors exceed sugar payments to the growers by some \$25 million a year. This amount, too, should be considered in devising a means to bring sugar workers' wages up to the minimum. This sum alone is almost enough for the purpose.

In view of the windfall which foreign producers for the American market receive from the quota premium, in addition to the income from the excise tax, we believe that by exercising some imagination in redrafting the wage provisions of the Sugar Act, the necessary increase could be paid without hurting the domestic growers in the least.

It is quite obvious that funds are available or could readily be found within the operations of the Sugar Act, to assure all sugar fieldworkers a truly fair and reasonable wage.

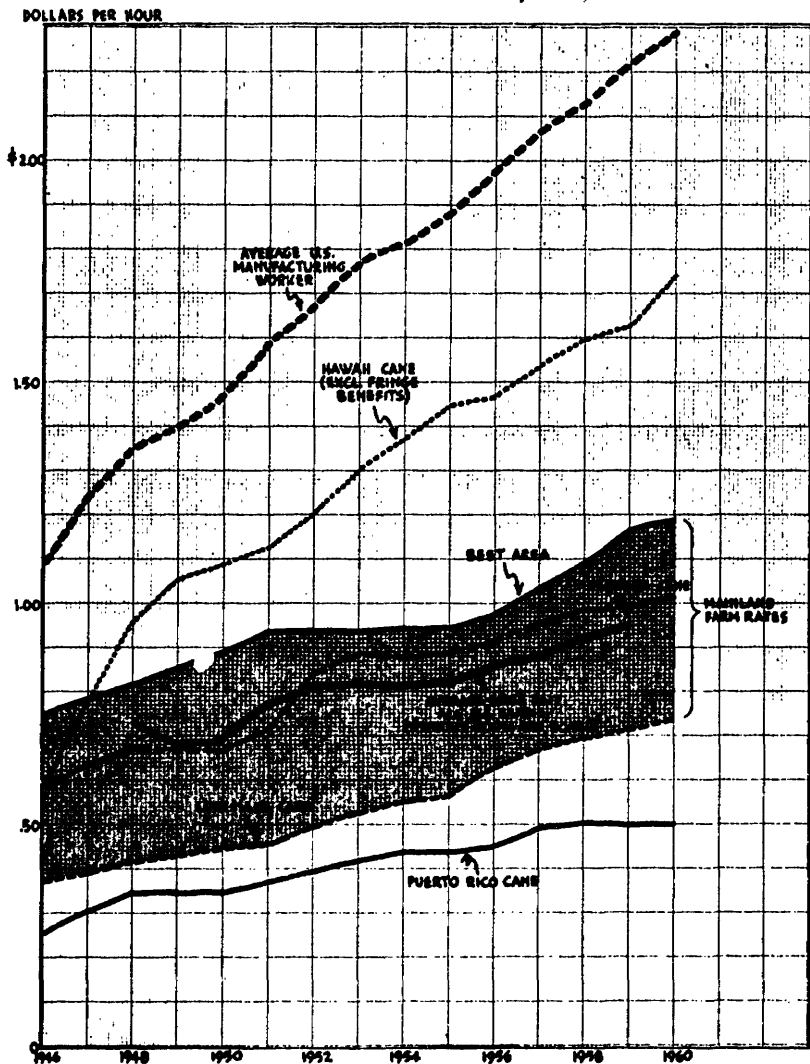
Franklin Roosevelt enunciated the basic policy: that an industry which receives a Federal subsidy should pay an American wage. The time is long since overdue to apply this principle to the sugar industry.

WHAT WE PROPOSE

The Sugar Act should be amended to provide—

1. That sugar compliance payments be made conditional upon a willingness on the part of the grower to recognize a bona fide union as the collective bargaining agent of the fieldworkers whenever it represents a majority of the work force.
2. That consideration should be given to raising the minimum compliance payment particularly in those areas which pay the Fair Labor Standards Act minimum.
3. That the Sugar Act be amended to require payment of Fair Labor Standards Act minimum wages to fieldworkers, and to provide the appropriate compensatory payments to the growers. In the areas where wages are lowest, the time period might need to be longer than in areas where wages already come close to the minimum, but in no instance should the time period exceed 3 years.
4. That the Secretary of Agriculture be required to make an annual report to the appropriate committees of Congress showing how the fieldworkers have fared with respect to wages and working conditions, and that he be charged with the duty of effective enforcement of the program.

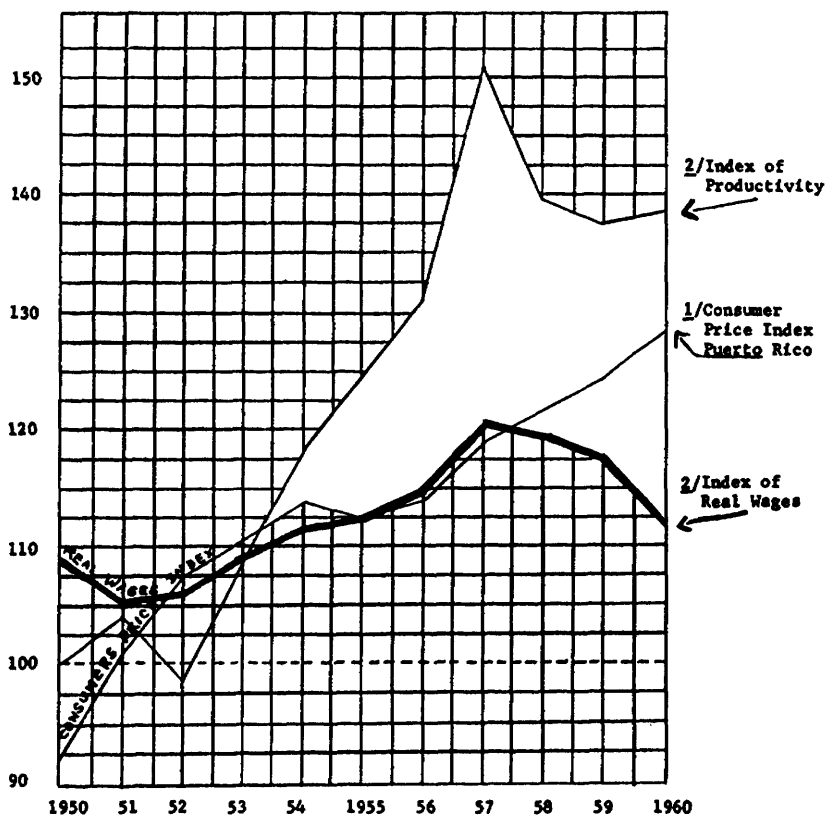
CHART I—AVERAGE EARNINGS OF FIELD WORKERS IN DOMESTIC SUGAR-PRODUCING AREAS, COMPARED TO AVERAGE U.S. FARM WAGE RATES AND AVERAGE EARNINGS OF MANUFACTURING WORKERS, U.S. 1946-1960



SOURCE: U.S. DEPARTMENTS OF AGRICULTURE AND LABOR

CHART II - AGRICULTURAL LABOR - SUGAR - PUERTO RICO

PRODUCTIVITY vs. REAL WAGES



1/ Bureau of Labor Statistics - Consumer Price Index - Puerto Rico

2/ U.S. Dept. of Agriculture - Agricultural and Stabilization Service - Sugar Division - Sugar Reports - Index of Acreage vs. Manhours.

WASHINGTON, D.C., June 20, 1962.

Hon. HARRY F. BYRD,
 Chairman, Senate Finance Committee,
 Senate Office Building, Washington, D.C.

MY DEAR SENATOR: As attorney for the Panama Sugar Group known as Asociaclon Nacional de Azucareros, I am taking the liberty of addressing you in behalf of this organization concerning their views on H.R. 12154 (sugar bill).

In view of the limited time for the conducting of the hearings on this legislation before your committee, I am attaching hereto a copy of the presentation that I made in behalf of a 15,000-ton quota for Panama, before the House Agricultural Committee, and respectfully request that the same be made a part of the formal hearings held before your committee on this bill. I assure you that favorable consideration of this request and the printing of the Panamanian position on this all important legislation in the official record of the testimony taken, will be greatly appreciated.

Kindest personal regards to you always, I am,

Sincerely yours,

WESLEY E. McDONALD, Sr.

Mr. Chairman, members of the committee, my name is Wesley E. McDonald. I am a practicing attorney in the District of Columbia and State of Virginia, and I appear this morning before your committee to speak for and in behalf of the Panama Sugar Group. The organization I speak for is wholeheartedly opposed to those provisions of H.R. 11730, insofar as they affect the producers of sugar in foreign countries, with a special reference to the so-called global quotas as opposed to the present longestablished principle of country-by-country quota allocations. This group thoroughly agrees with the sentiments of the chairman as expressed in a press release of May 14, 1962, regarding global quotas and recapture of premiums. Global quotas are, in effect, no quotas.

The economic stability of Panama is of special concern and consequence to the United States because of the very unique and intimate relations existing between our two countries and because of the special economic interdependence of the Canal Zone and the Panamanian community. As a result of this unparalleled relationship, any condition of unemployment, unrest, or economic dislocation in Panama, should be of great interest to the Government of the United States.

The fact that Panama's unique type of economy depends by tradition on its geographical position and on the operation of the Panama Canal has become a cause of serious concern to both governments. In recent years determined efforts have been made to achieve a productive self-supporting economy for Panama that will relieve the Panama Canal operation of its heavy responsibility for the well-being of the Republic. These efforts are exemplified by the programs of various international agencies, but more particularly by the effective work of the ICA (point 4) mission to Panama and other direct assistance rendered by the U.S. Government. These efforts have produced such concrete results in stimulating agricultural production that the time has come to organize foreign markets for a portion of this production.

As an integral element in this program of reorienting Panama's economy it is considered that the most urgent necessity to the success of the program is now the securing of a very small export sugar quota of 15,000 tons a year of direct consumption (refined) to be provided to the U.S. market; the vital importance of this quota is emphasized by the following considerations:

1. Sugarcane is a basic raw product and is the second most important agricultural industry in Panama, being surpassed only by the cattle industry. It is one of the few agricultural products easily adaptable to local conditions and is produced by thousands of small farmers.

2. It is the policy of the Panamanian Government to discourage (and actually to prevent) any increase in processing facilities for sugarcane. Sugar production is, however, one of Panama's most important traditional industries, and the present plants have been developing with increasing efficiency. However, without an assurance of a quota from the United States it is impossible to compete with the depressed prices which are caused largely by the dumping that exists in the world's markets.

3. The present difficulty indicates that the industry may be obliged to curtail its production to the demands of the local market. This, in turn, would mean

that thousands of sugarcane farmers (colonos) would be deprived of their means and livelihood. This situation could create great social unrest.

4. The capacity of the sugar mills in operation is 42,000 tons and the industry will be compelled to operate, if Panama does not get a quota, at about 65 percent of capacity due to the fact that only 26,000 tons can be marketed within the Republic of Panama. If our request for this quota receives favorable consideration it will greatly help Panama to improve its present unemployment situation.

5. The sugar mills and sugarcane fields represent one of the largest investments in Panama, approximately \$20 million, and is the result of more than 45 years of effort.

The following statistics clearly indicate that the trade balance between the United States and Panama is a most unfavorable one for the latter.

F.o.b. value in dollars

	Importation from United States	Exportation to United States
1957.....	58,474,256	21,097,488
1958.....	51,647,497	20,273,879
1959.....	51,201,244	21,541,668
1960.....	56,166,898	18,740,372
1961 January-October.....	1 50,740,869	16,722,126

¹ Preliminary figures.

An exportation or quota to the United States of 15,000 tons of Panamanian sugar would reduce this unfavorable trade balance by \$1,400,000, and, an effort in this direction should be made bearing in mind that Panama has for years purchased all of its corn and rice from the United States to supplement its own production, as well as 95 percent of all flour consumed. In the last quarter of 1962 Panama will place in operation its first flour mill and will be purchasing from the United States in addition to the corn and rice in the neighborhood of 30,000 tons of American wheat per year.

It must be recognized by this committee of the Congress that sugar production has been a most vital factor in raising the standard of living in the rural areas of Panama where in some places one finds the lowest yearly income in the entire Western Hemisphere. The average wage and productivity prevalent in the sugar-producing areas are proving of great assistance and are reflected in other agricultural and processing activities in these areas.

An export quota of 15,000 tons yearly direct consumption would save important agricultural areas from serious economic dislocations and would implement in the most efficient possible manner the enunciated U.S. policy of assisting Panama to achieve economic independence from the canal by converting to an economy of self-production. Panama feels, that notwithstanding the fact that up to this time it has no special agreement with the United States similar to the one that exists with the Philippines for the purchase of sugar, it is of the opinion that it should be accorded the same consideration and treatment as is now given the Philippines in the matter of the importation of sugar into the United States.

Mr. Chairman, we have carefully refrained from belaboring this committee with a long presentation. We have endeavored to present to you in as concise form as possible the real reasons in support of our request for a very small quota of 15,000 tons for a friendly country as Panama whose relations are so closely interrelated in every way with our own.

Congressmen, this is one country where a small quota will go a long way.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
June 21, 1962.

Re Sugar Act Amendment of 1962.

HON. HARRY FLOOD BYRD,
*Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR BYRD: Your committee now has under consideration House passed amendments to the Sugar Act of 1948. In the interest of Kansas agriculture and in the interest of the overall economy of our State, I wish to call to your committee's attention several features of the bill which warrant committee study and amendment.

The recently approved farm bill will have a grave impact upon the economy of Kansas. As this Nation's greatest wheat producing State—Kansas produces about twice as much wheat in value as any other State and maintains the second largest grain storage capacity—it must anticipate that the proposed limitations on wheat production and storage will have significant implications for that segment of our economy.

It is imperative that the action of this Congress not compound this negative influence by limiting the opportunity of Kansas farmers to seek other ways to profitably utilize their land, their ingenuity and their industry.

To this end I recommend that your committee give serious attention to the following:

1. The domestic share of quota sugar should be maintained by requiring that deficiencies be reallocated among the domestic growers. The House bill provides that any deficiencies—and based upon past experience there are certain to be deficiencies—must be assigned to foreign growers. The integrity of the domestic allocation should be protected.

2. The domestic share of the growth factor should be substantially increased. This share has been increased to 63 percent in the House bill, but a greater share is justified. I do not take issue with the basic allotments but I do believe that our domestic growers and processors have a right to expect that they will participate along with other segments of our county in our Nation's economic growth. What justification is there in restricting this group to only a 63 percent participation?

3. The provision of the House bill governing the assignment of acreage allotments by the Secretary of Agriculture is vague and inadequate. This condition should be corrected in two ways. First, allocations to new producers should begin next year. Unless this is done, new processing facilities will not be provided and new domestic growers will hesitate to initiate planting for lack of processing facilities.

Second, and most important, the bill should require that the Secretary of Agriculture give priority in the assignment of acreage allotments to those areas where land has been retired under Government compulsion as a result of the production of surplus commodities.

I see no justification for the Secretary of Agriculture making acreage allotments to areas which are not now producing surplus commodities while other Government agricultural programs are paying huge sums for land retirement. Priority should be given to reducing this Government expense and improving farmer income by utilizing domestic sugar acreage allotments to return retired land to alternate crop use.

I regret I was not able to present these views to the committee personally, but will appreciate having them made a part of the committee's record.

Very truly yours,

JAMES B. PEARSON, *U.S. Senator.*

STATEMENT BY ROBERT M. KERR, CHAIRMAN, AGRICULTURE COMMITTEE, SOUTHWESTERN OKLAHOMA AREA DEVELOPMENT ASSOCIATION

Mr. Chairman and distinguished members of the Senate Finance Committee, I would like to ask that this statement be included in the record as evidence of the feelings of the members of the Southwestern Oklahoma Area Development Association. Our not being there in person does not mean that we have lost any of our enthusiasm and fight for beet allotments in our area. We have experienced an extraturbulent June. Farmers in almost all areas here have had hail

(that is spelled "h-a-l-l," but it could very easily and appropriately be spelled another way). We do not have any paid members or lobbyists in our organization, and the short notice caught us when we were trying to get our crops planted again. However, we are wholeheartedly in favor of expanding quotas and acreages of sugar-producing crops, both beet and cane, in the United States, to be grown by the American farmer. We feel sure that this would help the American farmer, and we also believe that it would help all Americans for the following reasons:

1. Help somewhat to stop the flow of gold from our land.
2. Help reduce Government storage costs by growing a crop not in the position of being supersurplus, such as wheat and feed grain.

3. It would create new jobs. The building of the processing plants alone would create jobs for the lumber, steel, concrete, transportation, petroleum, rubber, automotive, and other industries too numerous to mention. Upon completion of the plants would come other jobs based on related industries, feedlots, etc.

We feel that these things would help the economy of the United States and that the benefits would far offset any ill effects of increased acreages here. We farmers of Oklahoma have organized to try to help ourselves through the sting of the present squeeze. We have valuable, irrigated land idled by lack of allotments. We aren't lazy; we do not want to be paid for not producing. We have the know-how to produce coupled with the desire. We now need the green light from Congress telling us to go ahead to produce. You might say, "Well, you have the go-ahead because there is no acreage control." However, we have contacted every plant within economical hauling distance, and they could not help us, because they were already operating at capacity.

Gentlemen, the agriculture industry still represents the largest industry in America. It is the largest user of steel and petroleum products. The economy of the Nation cannot long stay healthy without the farmer prospering, also. Many farmers are now being forced from their farms, and the majority of those left are not enjoying the economic status that most segments of our population today are enjoying. We ask you for favorable legislation to help us get into the sugar business. We ask for expanded quotas and new growing areas, and the right to get a new mill built in our area.

On behalf of the farmers in southwest Oklahoma and north central Texas, I thank you.

STATEMENT SUBMITTED ON BEHALF OF THE SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE BY WALTER STERLING SURREY, COUNSEL

This statement is submitted by the undersigned, Walter Sterling Surrey, as counsel to the sugar producers of Guadeloupe and Martinique for consideration by the Senate Committee on Finance in the hearings on H.R. 12154.

In the interest of conserving the time of the Finance Committee, we are submitting this statement for the record rather than asking that time be given for an oral statement. However, in case there are any questions as to any portions of this testimony, we hold ourselves in readiness to answer such questions and, in fact, request the privilege of so doing.

There is also submitted herewith a modest booklet containing the pertinent economic facts concerning Guadeloupe and Martinique as sugar suppliers to the United States. The purpose of this statement is to summarize briefly the salient facts presented in greater detail in the booklet.

The sugar producers of Guadeloupe and Martinique are not newcomers in the supply of sugar to the United States. During the emergency of World War II and the difficult supply situation created by the cutting off of Cuba as a source of sugar for the United States, beginning in 1960 and continuing through the present, the sugar producers of Guadeloupe and Martinique were called upon to provide sugar to the U.S. consumers.

This is not surprising. The islands of Guadeloupe and Martinique are in the Western Hemisphere and clearly among the most accessible sources of sugar for the U.S. market. Together with Puerto Rico and the Dominican Republic, they form a nearby certain source of sugar just as available to the east coast refiners as was Cuba.

Secondly, being sugar economies there is no question of their ability to supply a given amount of sugar to the U.S. market. Not only can these islands produce sugar for the U.S. market, they are also capable of storing it. They can thereby contribute to the stability of the U.S. sugar market by being able to

supply sugar quickly to meet sudden demands for sugar consumption in the United States. This is of primary importance to the maintenance of a satisfactory price level for sugar in the U.S. market. Consistent reliable supplies of offshore sugar are necessary to maintaining a satisfactory economic domestic sugar industry.

Thirdly, these producers have not only had experience during the period of emergencies in supplying sugar to the U.S. market, but they have proven their willingness to do so even when it meant foregoing better prices. Thus, during World War II, the sugar producers of Guadeloupe and Martinique did not take advantage of potential sales in the higher priced wartime world market, but shipped a most significant amount of sugar to the United States at U.S. prices during the entire period of the war years. In actual fact, during those years the producers of Guadeloupe and Martinique shipped more than double the amounts shipped by any other foreign country, with the exception of Cuba.

More recently, beginning with the period when Cuba was cut off as a source of sugar to the United States, these islands declared their willingness to supply 185,000 short tons to the United States in 1961 and increasing quantities each year up to a total of 230,000 tons in 1965 and 280,000 tons by 1970. In November of 1960, these same producers had offered a firm 170,000 tons to the United States for shipment in early 1961.

The United States took partial advantage of this offer. Guadeloupe and Martinique received two purchase allocations in 1961, one for 25,000 tons and one for 50,000 tons. In 1962, they received one authorization—5,000 tons.

Shipments of this sugar during 1961 and 1962 were made rapidly to meet U.S. needs, and were sold primarily at an average price; that is, without regard to price to avoid any delays that might be encountered by price bargaining or by holding back on shipments for price advantages.

The experience that the sugar producers of Guadeloupe and Martinique have gained in supplying the U.S. market tempts the question as to whether they are only to be called upon to meet U.S. emergencies, which they have done without hesitation, or whether they should now be placed in a position of being able to plan on a long-term basis, to provide sugar to the U.S. market in known quantities.

An opportunity to supply a portion of the U.S. sugar market on a regular defined basis is of the utmost significance to the economy of these islands. They are located in what may well be termed the offshore Caribbean sugar bowl of the United States, where together with the other islands of the Antilles they, by reason of their climate and geographic situation, are essentially dependent upon the production and marketing of sugar for their economic existence.

The geographic factor is not only of importance to the United States in terms of developing a long-term nearby source of sugar, but is critical to the economic development and well-being of these islands. Nature has given them no choice but to rely almost entirely on agriculture as the source of their economic development, and of all the agricultural products that can be most effectively produced, sugar is clearly the predominating product—the product that determines the status of the economy of the islands.

In these circumstances, it is clear that these islands cannot develop economically, as they should, if they cannot be assured of a reasonable and long-term quota in the U.S. market.

Insofar as these islands are concerned, any question as to whether any sales in the U.S. preferential market are of real benefit to the economy of the supplying country, can be answered with assurance. In the case of the islands of Guadeloupe and Martinique, it can be stated without qualification that the benefit of sales in the U.S. market go principally to the workers, both in the fields and in the factories. The sugar economies of these islands offer an outstanding example of the benefits of trade being spread among the largest population groups. For example, salaries of cane field workers and sugar factory workers add up to the equivalent of 54 percent of the earnings realized from sugar and sugar products exports. Basic rates for field workers and mill workers average between \$2.20 and \$2.40 U.S. dollars per day, and including social security benefits, these wages go as high as \$3.50 per day. The wages reached this high level, unique for a sugar economy, at the time the French West Indies received U.S. purchase allocations in 1961.

Moreover, small sugar planters, the 2-acre independent farmers—the backbone of the sugar growing resources of Guadeloupe and Martinique—received additional benefits from higher export prices.

If the benefits of the U.S. market are not made available in some measure to the peoples of these islands, the policy of increasing wage scales will necessarily run into serious economic difficulties. On the other hand, if they can be assured of a satisfactory market in the United States over a long period of time, the islands will be able to rely upon and continue their program of increased wages and other benefits to the peoples of the islands.

These factors have been recognized by the U.S. Government. Thus, the reports of the U.S. consul to Guadeloupe and Martinique have established that sugar is the backbone of this essentially agricultural economy and only through better prices and expanding markets for its sugar exports can the islands satisfy the "revolution of rising expectations."

Any question as to why these islands, which are closely bound to Metropolitan France, cannot rely on the French market for the sale of all their sugar should be considered in the context of the following factors:

1. While Metropolitan France takes a significant part of the production of sugar on Guadeloupe and Martinique, the availability exceeds significantly the amount of sugar that France can absorb from these islands, primarily because former colonies of France are no longer available as markets;

2. Population increases in the islands require expansion of the sugar industry just to keep pace with the population growth; both of these trends are in excess of the rate of growth of the French market;

3. The natural trade area of the islands is with the United States; the United States is clearly the economic market for sugar produced on the islands and the United States is equally clearly the source for many of the goods required by the islands;

5. It is possible that in the course of time these islands will seek and achieve a greater measure of internal self-administration. Since they are in the Caribbean, they will naturally require closer economic relations to the United States and its Western Hemisphere policies.

The basic factors which it is suggested the Senate Committee on Finance consider with respect to supporting and increasing the quota assigned to the islands of Guadeloupe and Martinique under the House bill are—

1. Location, easy availability, and storage facilities;

2. Past history of deliveries to the United States, including the emergency of World War II and the 1960-62 period;

3. Past trade relations with the United States and future trade potential as well as future political developments; and

4. The need for the islands to be able to undertake healthy economic planning by knowing now the quantities of sugar which they will be privileged to supply to the United States over the next 5 years.

EMBASSY OF THE ARGENTINE REPUBLIC,
OFFICE OF ECONOMIC COUNSELORS,
Washington, D.C., June 22, 1962.

Senator HARRY F. BYRD,
Chairman of Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: I have the pleasure of sending you attached hereto a copy of my letter to Mr. Herbert May, Deputy Assistant Secretary for Inter-American Affairs of the Department of State, in which I inform him that the Argentine Republic has 50,000 tons of sugar available for export to the United States, for delivery during the second semester of 1962.

The trade statistics contained in my letter to Mr. May emphasize the progressive deterioration of the terms of trade between the two countries. If the Argentine Republic is to continue its traditional purchasing patterns in this market, it will be necessary not only to increase its present exports to this market, but to find new products to sell here.

The exportation of some Argentine sugar to this market could constitute a regular source of dollar exchange, indispensable to increase our purchasing power. It should be recalled that in the past a considerable amount of the capital equipment required to industrialize our economy, has been purchased in the United States.

Thanking you for your kind attention, I remain,

Sincerely yours,

ALFREDO J. GIRELLI, *Economic Counselor.*

WASHINGTON, D.C., June 5, 1962.

Mr. HERBERT MAY,
Deputy Assistant Secretary for Inter-American Affairs.

DEAR MR. MAY: I wish to acknowledge with thanks your letter of May 23, 1962, referring to the request of the Government of the Argentine Republic to obtain an import authorization to export sugar to this market during the first semester of 1962.

I take due notice of the reasons why it was not possible to allocate an import quota during the above-mentioned period, and of the proposed modifications to be introduced into the new Sugar Act, referred to in your letter.

At the same time, I have been instructed by my Government to advise the Department of State that the Argentine Republic has 50,000 tons of sugar available for export to the United States during the second semester of 1962, requesting that this information be brought to the attention of the authorities in charge of programing future allocations of this commodity.

As has been mentioned previously, Argentina is particularly interested in becoming a permanent exporter of sugar to this market as a positive step to alleviate its chronic trade deficit with the United States. The statistics which are transcribed hereafter emphasize the urgent need for remedying this longstanding problem.

	U.S. exports to Argentina	Argentine ex- ports to the United States
1957.....	\$280,310,974	\$128,060,886
1958.....	248,109,532	131,475,981
1959.....	229,801,702	124,448,708
1960.....	347,185,146	98,773,684
1961.....	422,389,992	101,178,863

Yours truly,

ALFREDO J. GIRELLI, *Economic Counselor.*

NEW YORK, N.Y., June 21, 1962.

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

We would like to be on record with the Senate Finance Committee as being in favor of the Sugar Act amendments bill of 1962. It is felt that this bill serves a twofold purpose as it will aid the domestic economy and also improve American foreign trade. It will provide domestic sugar producers with a greater share of the U.S. market and thus stimulate employment. It will also strengthen our trade relations with free world countries, such as Australia, if greater amounts of raw sugar are permitted to enter the United States. This will enable Australia and other oversea sugar producers to purchase increased quantities of goods made in the United States and will also aid domestic employment.

JOHNS MANVILLE,
CLINTON B. BURNETT,
President.

Text of message received by Embassy of El Salvador on June 22, 1962:

"A basic quota of 20,000 tons sugar is essential for the economical and social development of our country in keeping with the spirit of the Alliance for Progress. El Salvador is greatly distressed over the possibility that United States adopt a global quota system which would be disastrous for Latin America. I consider it necessary U.S. Senate be informed contents this message.

"JULIO ADALBERTO RIVERA,
"President-elect of El Salvador."

STUART, FLA., June 20, 1962.

Re sugar quota, British Honduras, Central America

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

DEAR SENATOR BYRD: As you know, the British Honduras Government is asking for a 30,000-ton sugar quota to be scheduled as follows: 1964, 5,000 tons; 1965, 10,000 tons; 1966, 20,000 tons; 1967, 30,000 tons.

This requested quota would be only three-tenths of 1 percent of the 9,700,000 tons, the total consumption estimated for the United States. Or, if the provisions of pending legislation are followed, foreign nations will probably be assured of supplying slightly more than 40 percent of the entire U.S. requirement. Then, the projected quota for British Honduras in 1967 would equal to only eight-tenths of 1 percent of the entire foreign quota.

I was disappointed to learn that the House Agriculture Committee had recommended a quota of only 10,000 tons.

In 1961 British Honduras purchased more than \$7 million worth of products from the United States and we (the United States) only purchased \$1 million worth of products from this pro-American English-speaking country. The 30,000-ton sugar quota alone could contribute more than any one other item to balance the trade and help balance their budget. By the sugar quota, we do not have to grant or give aid—here we are getting something in return.

Other reasons we should support a sugar quota of at least 30,000 tons are—

(1) In time of war or national emergency, sugar could be transported overland through Mexico.

(2) As a matter of equity, and above all to pro-American nations, we should permit these nations to participate equitably in the quota.

(3) As a means of encouraging economic development of British Honduras, this sugar quota alone will create many jobs. So that these people can help themselves to recover from the great losses sustained from Hurricane Hattie, a portion of the sugar quota has already been earmarked for distribution to 300 local farmers encouraging the capitalistic form of government.

(4) A quota of at least 30,000 tons is necessary to make the installation of a modern sugar mill economically feasible.

(5) And, most important, it will help reinforce the bulwark against communism:

I respectfully request you to support a sugar quota of at least 30,000 tons for the many reasons outlined above.

Sincerely yours,

C. B. ARBOGAST, Jr.

[Cablegram]

SANTO DOMINGO, DOMINICAN REPUBLIC, June 22, 1962.

A representative cross section of the Dominican people is justly worried over the way hearings on the Sugar Act are going. If the new and harmful bill is passed as now proposed, it would bring about an economic crisis in our country, which is in the first stages of recovering from a long distatorship that crippled our economic, moral, and social standards.

The Association of Dominican Industries, of which sugar is the mainstay, advises the honorable representatives of the American people that our country has a historic right to ask for a more humane understanding of our problems. From our powerful ally, to whom we sold our sugar during the last war, at normal and non-speculative prices, as a contribution to the triumph of democracy in the world. Now that the Dominican people have the brilliant opportunity to erase past hurts and to start a new life, we believe that the great northern democracy will not close up to us our most important source of income, represented by sugar as our chief product.

ASSOCIATION OF DOMINICAN INDUSTRIES,
 HORACIO ALVAREZ S.,

President.

HOMERO HOEPELMAN S.,

Secretary General.

WASHINGTON, D.C., June 20, 1962.

HON. HARRY FLOOD BYRD,
*Chairman of the Senate Committee on Finance,
Senate Office Building, Washington, D.O.*

DEAR SENATOR BYRD: This letter is to inform you that the sugar industry of Ecuador, in general, strongly favors the passage of the sugar bill now before the Senate, as was approved in the House of Representatives. However, Ecuador feels that she should be granted a permanent basic quota of 50,000 short tons instead of the 30,000 tons recommended.

As you know, Ecuador is now actively participating in the Alliance for Progress program, which stresses self-help. The additional dollars received into our economy would help a great deal toward making our program a success. The 50,000-ton basic quota would enable us to employ 2,000 more people.

I should like to add that all the machinery used by the Ecuadoran sugar producers is manufactured and purchased in the United States.

For the record, I should like to draw your attention to the testimony of "Hearings before the Committee on Agriculture, House of Representatives, 87th Congress, 2d session, on H.R. 11730, page 492, statement of I. Irving Davidson, representing the sugar industry of Ecuador."

Sincerely yours,

I. IRVING DAVIDSON,
Registered Agent, Ecuadoran Sugar Producers.

WASHINGTON, D.C., June 19, 1962.

HON. HARRY FLOOD BYRD,
*Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.O.*

DEAR SENATOR BYRD: As Washington counsel for the British West Indies Sugar Association, I wish to go on record with your committee as favoring H.R. 12154 as passed by the House of Representatives.

Under the bill as passed by the House, the British West Indies was allotted a permanent quota of 100,000 short tons and a temporary nonquota position in the U.S. market of 150,000 short tons. The quota for the British West Indies embraces all the territories that are members of the British West Indies Sugar Association, which includes British Guiana.

My testimony before the House Committee on Agriculture appears on pages 480-492 inclusive of the printed hearings on H.R. 11730. I have nothing to add to that testimony except to urge that the Finance Committee adopt the action taken by the House Committee on Agriculture and approved by the House itself when the latter voted approval on H.R. 12154 on Tuesday, June 19, 1962.

As counsel for the British West Indies Sugar Association, I would be available for questioning but in the absence of my formal appearance, I take this means of registering the views of my client on H.R. 12154 with your committee.

I respectfully request this communication be incorporated in the record of hearings on the sugar bill before your committee.

Respectfully submitted.

ARTHUR L. QUINN,
Counsel, British West Indies Sugar Association.

(Whereupon, at 7:05 p.m., the hearing was recessed, to reconvene at 10 a.m., Saturday, June 23, 1962.)

SUGAR ACT AMENDMENTS OF 1962

SATURDAY, JUNE 23, 1962

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

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Paul H. Douglas presiding.

Present: Senators Douglas, Talmadge, McCarthy, Williams, and Curtis.

Also present: Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

Senator DOUGLAS. The committee will come to order.

The first witness this morning is Mr. G. Douglass Debevoise, who testified briefly last evening in response to certain questions of Senator Fulbright, and will now present his affirmative statement.

Mr. Debevoise?

Good morning.

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO.—Resumed

Mr. DEBEVOISE. Gentlemen of the committee, my name is G. Douglass Debevoise. I am most grateful for the opportunity to appear before you. I testify as president of the South Puerto Rico Sugar Co., a New Jersey corporation, which produces sugar in the Dominican Republic and Puerto Rico and which is owned principally by 8,000 Americans.

I will concentrate my remarks on matters pertaining to Dominican sugar, inasmuch as the Dominican situation presents to this committee, and to the Congress, the opportunity and challenge to support the recently constituted friendly government in the Dominican Republic in its struggle to lead its country from despotism to democracy. I am also submitting a more inclusive written statement, which I would ask be inserted in the record.

Senator DOUGLAS. It will be done.

Mr. DEBEVOISE. As you are aware, during the past year there occurred a profound change in the Government of the Dominican Republic, a change as far reaching as that which occurred in Cuba, but without the accompanying bloodshed and without a turn to communism.

On May 30, 1961, the Dominican Republic was freed of Trujillo. Following a brief rule under Balaguer, the Trujillo-inherited President, a U.S. supported seven-man Council of State, representing a middle-of-the-road program, came into power; its members were anti-Trujillo and are respected, responsible, pro-United States Dominicans.

In less than 3 months the Dominicans will be electing delegates to draft a new constitution, and free democratic elections, the first in over 32 years, are scheduled for December 1962.

The present Council of State is subject to strong attack from small but well-organized Communist Castroite groups ready to assume power if the democratic efforts of the present Government falter. The importance to the United States that the Dominican Republic does not fall under Cuban domination is clear. Of equal, and perhaps, greater, significance would be the repercussions throughout all of Latin America.

I do not want to reiterate to the boredom of this committee all the arguments against the proposed 5-year progressive, a peculiar word to use in this connection, attainment of global quotas and the recapture provisions applicable to the reallocation of the Cuban quota. I subscribe to any and all effective arguments against these proposals.

I am not inclined to panic or overstatement; but I am, however, required to give my calculated and objective appraisal of the situation. Based on my knowledge of the situation, were the United States to provide for any part of Dominican sugar to be sold with an attendant recapture provision equal to the difference between the United States and world price, the political impact on the present democratic Council of State would be disastrous. And combining this formula with an offer of trade as compensation—charity instead of trade, does not make it more palatable.

The U.S.-supported Dominican Government is actively carrying out the self-help principles of the Alliance for Progress program.

An income tax system has recently been established and the tax laws modernized; wages have been substantially increased; an agricultural reform law has been enacted to distribute 750,000 acres of former Trujillo properties to landless farmers, with the result that there are now over 5,000 independent sugar farmers; a home mortgage market has been established to support low-cost housing; steps are being taken to provide for development of small business and private joint American-Dominican investment; and reforms to establish strong independent labor movements are presently being studied.

In addition, the present Government of the Dominican Republic recognizes its role as a partner in the efforts of the United States to prevent the spread of the Castro influence in Latin America. In the January-February 1962 meeting of the OAS, the Dominican Republic actively supported the United States in ousting Cuba, with a speech by the Foreign Minister of the Dominican Republic comparing the Castro regime to the former Trujillo regime, having a strong impact on the other delegates.

Although, in general, I support H.R. 12154, I respectfully submit two changes: First, the basic quotas and the reallocation of the Cuban quota should be limited to Western Hemisphere countries and the Philippines; and second, the quota established for the Dominican Republic should be increased in recognition of the present political situation in the Dominican Republic, the natural role of the Dominican Republic in providing the United States with its offshore sugar requirements, and the vital importance of sugar in the Dominican economy. Let me give you the facts.

Sugar is the principal industry in the Dominican Republic, accounting for 55 to 60 percent of all wages and salaries paid in the industrial

sector. The sugar industry employs about 60,000 persons during the crop season, and even during the idle season 35,000 are employed. In 1969, the Dominican Republic exported more sugar than any other country in the world, except Cuba.

The sugar production in the Dominican Republic is in excess of 1 million tons, and unlike many of the other larger countries in Latin America, the Dominican Republic only consumes a small amount of its production locally and therefore must look to exports for the continued employment of its people in the sugar industry; nor does it, as do several of the other countries now included in H.R. 12154, have available to it any preferential market beyond its U.S. quota.

The fact is that the Dominican traditional world price market, the British market, has been disappearing at an accelerated rate during the last years as a result of the price-cutting tactics of the Russian satellite countries, which are utilizing Cuban sugar obtained at barter. In fact, the British market has now reached the vanishing point; in 1962, no sales are expected to the United Kingdom.

Of the several countries receiving major quotas under the House bill, the Dominican Republic will have by far the largest amount of homeless sugar after filling its proposed U.S. quota.

The question has been raised by many as to whether the benefits of the sale of sugar to the United States go entirely to large sugar companies, or whether these benefits reach the people of the country. Mr. Chairman, in the Dominican Republic the benefits do not trickle down to the people; they flow down to the people. They flow down through wages and fringe benefits paid to the workers, payments to independent farmers, taxes paid to the Government, general social progress outlays, and reinvestment in mills and equipment involving the purchase of locally manufactured products and utilization of local labor.

For example, in early 1962, in consultation with the Dominican Government and in anticipation of its return to a reasonable long-term participation in the U.S. sugar quota, substantial wage increases were properly granted by all Dominican sugar companies. The intended result of these increases has been to induce Dominicans to work in the fields in place of Haitian-imported labor, thereby significantly reducing Dominican unemployment.

The wage increases were substantial by any standards; canecutters, up 65 percent from \$0.96 per metric ton of cane cut and hauled to \$1.53 per ton; unskilled fieldworkers, not including canecutters, from approximately \$1 to \$2 per day; factory workers, increases of 25 percent to 103 percent, making for a minimum wage of \$3.70 and going up to as high as \$8.70 per day; and salaried factory employees received monthly increases amounting, in the lower salary scales, to as high as 80 percent.

Let me translate these increases into a single figure; the total value of these increases in 1962 will, for our company, approximate \$4.1 million. The full significance of this figure in terms of impact on our company is best illustrated by the fact that it is greater than our total net profits after taxes in 1961, and twice our total net profits after taxes in 1960. In fact, these wage increases have raised the cost of production in the Dominican Republic well above current world market prices. Further, the sales in the U.S. quota market benefit the Dominican people through resulting substantial taxpayments to

the Government. For instance, our company pays a Dominican income tax of 56 percent in addition to export taxes on sugar shipped.

Adding all this up, our company's outlays for local wages, payments to independent farmers, and taxes will total this year approximately \$25 million.

Mr. Chairman, these are the facts; these are the benefits to the people of the Dominican Republic from our sales in the U.S. market. There should be no misunderstanding. If the U.S. preferential market is taken away, or a quota established at an insufficient level, our U.S. shareholders will suffer; but the real loss will be that experienced first by the Dominican people, then by the Dominican Republic, and then by the United States in its critical foreign relations with all of Latin America.

Thank you.

(The statement and charts referred to are as follows:)

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO., NEW YORK, N.Y.

My name is G. Douglas Debevoise. I am most grateful for the opportunity to appear before you. I testify as president of the South Puerto Rico Sugar Co., a New Jersey corporation, whose stock is listed on the New York Stock Exchange and which is owned principally by 8,000 Americans who closely observe our progress.

I appreciate this privilege of discussing with you the matters pertaining to Dominican and Puerto Rican sugar, especially the Dominican, inasmuch as the Dominican situation presents this committee, and the Congress, the opportunity and challenge to support a recently constituted friendly government struggling to lead its country from despotism to democracy.

Let me briefly review the present political situation in the Dominican Republic. During the past year there has occurred a profound change in the Government of the Dominican Republic, a change as far reaching as that which occurred in Cuba. But the Dominican change was without accompanying bloodshed and without a turn to communism.

On May 30, 1961, the Dominican Republic was freed of the tyrant Trujillo. For a brief period, members of his family attempted to continue his totalitarian rule. Their efforts failed. With the assistance of the U.S. fleet which appeared briefly off Santo Domingo, and after a short period of rule under the Trujillo-inherited President Balaguer, a democratic form of government finally came to power. That government is an interim government, ruled by a council of state consisting of seven respected, responsible, pro-U.S. Dominicans.

The Dominicans have thus anxiously begun to travel an admittedly difficult road to a stable democratic form of government, a road filled with many predictable pitfalls and unpredictable barriers. In less than 2 months the Dominicans will be electing delegates to draft a new constitution, and free democratic general elections, the first in over 32 years, are scheduled for the end of 1962. The political future of the Dominican people, most of whom have never experienced either the benefits or the responsibilities of a free society, is far from certain.

There are a number of agitating Communist Castroite organizations ready to take over if the present chosen democratic path fails. The great majority of the Dominican people are honestly searching for the firm establishment of a free democratic system of government. But inexperience, bewilderment, and confusion, which necessarily attend their first experience at hearing and reading freely expressed views from any source, can lead to a vacuum of inaction. If any such vacuum occurs, the small but well-organized Communist Castroite groups are ready to fill it.

The importance to the United States that the present efforts of the Dominicans be successful, and that the efforts of the opposition Communist Castroite groups be unsuccessful, cannot be overemphasized. As you know, the Dominican Republic occupies the eastern two-thirds of the island of Hispaniola; the western one-third of the island being occupied by the Republic of Haiti. The island itself is situated approximately 75 miles from Puerto Rico to the east and approximately 60 miles from Cuba to the west. It is closer to Cuba than this committee room is to Richmond.

A failure of the present government and a takeover by the Communist Castroite organizations, would have a direct impact on the course of the Republic of Haiti. Thus, the island of Hispaniola would be under Cuban domination.

Of equal, and perhaps greater, significance, would be the repercussions throughout all of Latin America. As the Dominicans attempt to turn from totalitarianism to democracy, the other American Republics are fully aware of the U.S. special role in the development of a democratic Dominican Republic. Just as the success of the Dominican Republic would be to our credit, equally so its failure would be considered our responsibility. And the impact of this failure would be many times compounded were it to be the result of any undercutting of its economy due to action taken by the U.S. Government.

I support the overwhelming rejection by the House of the global quota formula and recapture provisions advanced by the administration. I do not want to reiterate to the boredom of this committee all the arguments against the administration proposed 5-year progressive (a peculiar word to use in this connection) attainment of global quotas and the recapture provisions applicable to the re-allocation of the Cuban quota. I subscribe to any and all effective arguments against these proposals; they are so unjustified and so unreasonable that I cannot believe that this committee will indulge itself in serious consideration of them.

Let me, however, add one special fact of opposition peculiar to the situation in the Dominican Republic. As I mentioned above, the development of democracy in the Dominican Republic is, at best, in a tenuous position. Were the United States to provide for any part of Dominican sugar to be sold here at the U.S. price but with an attendant recapture provision equal to the difference between U.S. and world price, the political impact on the ruling Council of State could be disastrous. And combining this formula with an offer of aid as compensation—charity instead of trade—does not make it more palatable.

The Communist Castroite groups would reap the greatest political benefit out of such action; the new democratic government, they would stress, is treated just the same as the Trujillo dictatorship; the United States is not motivated by principle, but by Yankee imperialism. Alliance for Progress in the Dominican Republic could well become alliance with Cuba.

Gentlemen, I am not inclined to panic or overstatement; I am, however, as president of the South Puerto Rico Sugar Co. required to give my calculated and objective appraisal of the situation based on my recent visits there, the reports of our people, Dominican and American, stationed there, and the reports we receive from official Dominican and U.S. sources, and from other business sources. These reports come down to one basic fact—the future is far from certain and any action by our Government which tends to undercut the economy or the political position of the Dominican Government can well result in the forced resignation or fall of the Council of State. The decision rests at this time with this committee.

This brings up the question of the size of the Dominican quota. The quota established for the Dominican Republic in H.R. 12154 fails to recognize the present, critical situation in the Dominican Republic, the natural role of the Dominican Republic in supplying the U.S. offshore sugar requirements, and the vital importance of sugar to the Dominican economy. I am not here to argue at this time for a specific figure; I believe it is my duty to my company to outline briefly the facts. If you have the facts, your decision is bound to be both fair and fully consistent with the national interests of the United States.

The Dominican Republic in 1960 exported more sugar than any country in the world except Cuba—even more than the Philippines. It won't take a posse of economists to round up a successor to the sugar reserve of Cuba; the natural successor is right next door to Cuba.

And the role of successor can provide a vital economic thrust in assuring success to the present democratic Dominican Government. In its brief period in office the Dominican Council of State has done a commendable job. Upon assuming power, the Council of State found a virtual bankrupt economy. Substantial sums of money had "disappeared"—to use a diplomatic word for it—from the country with the departure of the former Trujillo members of the government. The gold and foreign exchange holdings of the Central Bank fell within a year from \$45.1 million in the third quarter of 1960 to \$6.8 million in November 1961.

In addition to the great loss of foreign exchange reserves, there was almost a complete breakdown of domestic trade caused by the disruption of political and some economic relations with most of the American Republics as a result of the OAS action, and by the governmental changeovers and accompanying general strikes. New foreign investment in the Dominican Republic had understandably

come to a halt. Unemployment was an islandwide disease; a substantial segment of the working population was idle, hungry, politically confused and a fertile field for a Communist Castroite dictatorship.

The situation, however, was not, and is not, impossible. The Dominican Republic economy is very reasonably well organized with respect to basic economic development. In the very few months that the Council of State has been in office, the domestic economy has started upward; the financial position of the Dominican Republic has improved as foreign exchange reserves climbed to approximately \$15.5 million in March 1962.

One of the first steps taken to meet this serious economic and political problem was to increase wages and salaries, principally in the sugar industry. This step was taken in reliance on the Dominican Republic securing a reasonable participation in the U.S. sugar quota over a long period of time.

The increased wages made it possible to attract enough Dominicans to work in the field, so that the practice imposed by the Trujillo dictatorship of importing cheap Haitian labor for cane cutting could be discontinued. Thus the standard of living was substantially raised and unemployment reduced.

Another step recently taken by the Dominican Council of State was the enactment of an agrarian reform law which provided for the distribution to landless farmers of 750,000 acres of former Trujillo-owned properties. Further steps are contemplated for assuring that all the people in the Dominican Republic will benefit from economic well-being and continued economic growth.

But the people in the Dominican Republic are not looking for handouts or gifts. After their long period of totalitarian rule, they now, more than ever, attach importance to, and are conscious of, fair treatment. This they have not had; this they desire and will respect. The opportunity to meet this challenge, or better, to take advantage of this healthy development in the Dominican political situation, depends in large part on the U.S. sugar policy. Indeed, the answer to that challenge rests in the hands of this committee.

Sugar is the source of energy on which the Dominican economy runs. But the Dominican Republic recognizes and has recognized that complete dependence upon sugar is not healthy for its economy, and is generally not good for the stability of the Western Hemisphere. It is a fact, however, that the financing of diversification must come principally from the sale of sugar at a reasonable profit.

Thus, sugar still is the main product of the Dominican Republic. Of all wages and salaries paid out by the industrial sector, 55 percent to 60 percent is accounted for by the sugar industry. The sugar industry employs about 60,000 persons during the crop season—20,000 in the factories, and the remaining 40,000 in the sugarcane fields. During the idle season, 35,000 are employed.

The sugar exports of the Dominican Republic in 1961 were 847,605 short tons. Of this amount, 346,398 short tons were sold in the United States at a penalty price, and the remainder in the so-called world market, including 260,382 short tons to Great Britain.

There has been, however, in the last years, an accelerated disappearance of the United Kingdom sugar market. In the past, the amount of raw sugar purchased by British refiners from non-Commonwealth sources depended almost entirely on their reexports of refined. Now, the Russian satellite countries, utilizing Cuban sugar by price undercutting, have been capturing the historical British reexport markets. The Russian satellites are even shipping refined sugar into the United Kingdom itself at prices lower than those that can be offered by the Dominican Republic for its raw sugar. This has resulted in a rapid shrinkage of that market, and that shrinkage has now reached its pitiful bottom; we expect no sales in the United Kingdom in 1962.

In effect, the Dominican ability to sell in the world market has disappeared. Thus, more and more the Soviet-Cuban dominated world market, unpredictable to all but the Soviet-Cuban block, has eliminated the last resort of homeless nonprotected export sugar.

The Dominican Republic is of vast importance to my company. This year marks the golden anniversary of our operations in the Dominican Republic; we, in effect, went there on the *Mayflower*, long before Trujillo took over.

Over the past decade, 72 percent of our company's tonnage was produced in the Dominican Republic. We derive over 60 percent of our total revenues from there, the lower percentage being due to our past reluctant dependence upon the world market for much of our sales. Our total plant in the Dominican Republic is valued at \$74 million replacement value.

This raises the question considered by many in the executive branch as to whether the benefits of the sale of sugar in the United States go entirely to the

large sugar companies, or whether these benefits "trickle down," to use the experts' language, to the people of the country. Mr. Chairman, in the Dominican Republic the benefits do not trickle down to the people; they flow down. I only wish some of the facts would "trickle up" to our Government experts.

Let me give this committee the facts; at least I know you will be receptive to hearing and considering them.

The benefits from the sale of Dominican sugar in the U.S. market flow to the people of the Dominican Republic through wages and fringe benefits paid to the workers, payments to independent farmers, taxes paid to the Government of the Dominican Republic, general social progress outlays, and reinvestment in plant and equipment involving utilization of locally manufactured products and local labor.

The facts to which I will refer relate primarily to our operations. However, these facts are fully indicative of the operations of the other private sugar companies as well as the companies recently taken over by the Government of the Dominican Republic.

In early 1962, in consultation with the Dominican Republic Government and in anticipation of the return of the Dominican Republic to the family of free nations and its return to long-term participation in the U.S. sugar quota, substantial wage increases were granted by all Dominican sugar companies. The specific intent of these increases was to pass on to the workers the benefits of the anticipated sales in the United States and, as indicated previously, to provide sufficient inducement to the Dominican workers to work in the fields in place of Haitian imported labor, thereby reducing Dominican unemployment.

The wage increases were substantial by any standards; cane cutters, up 65 percent from \$0.96 per metric ton of cane cut and hauled to \$1.53 per ton; unskilled fieldworkers, not including cane cutters, from approximately \$1 to \$2 per day; factory workers, from 25 to 103 percent, making for a minimum wage of \$3.20 and going up to as high as over \$8.70 per day; and salaried factory employees, monthly increases as high as 80 percent for those in the lower salary scales.

Let me translate these increases into a single figure: The total value of these increases in 1962 will, for our company alone, approximate \$4.1 million. The full significance of the figure \$4.1 million in terms of its impact on our company is best illustrated by the fact that it is greater than our total profits after taxes in 1961 and twice our total profits after taxes in 1960. The significance of the figure of \$4.1 million in terms of its impact on our selling price is best understood by pointing out that our cost of wages and our payments to independent farmers, apart from any other costs of production, approximate the price for sugar on the world market.

This is no "trickle down." Our wage scale reaches as high as wages paid by any Latin American country for comparable work.

And it is perhaps of greater significance to the people of the Dominican Republic that their wage increases are not diluted by inflationary forces but are transferred into increased purchasing power—into an increased standard of living. The economy of the Dominican Republic has not been the victim of the rampant inflationary forces existing in so many other countries. As is evident from International Monetary Fund statistics, as of December 1961, the cost of living in the Dominican Republic was 7 percent below that of 1953. As reported in April 1962, no other country showed a decrease. For example, our own country and Canada showed a 12-percent increase above 1953 levels.

In 1962, during the grinding season, 19,000 Dominicans will be employed by us and will depend on us for their livelihood. Even during the idle season, which we anticipate will be no more than 1 month this year depending on the weather and assuming a fair U.S. quota, as compared to 5 months in 1961, 7,000 Dominicans will be in our employ.

Our direct payments in 1962 to our workers and independent farmers will aggregate over \$13.1 million. Our workers will, in addition, receive approximately \$1.1 million as vacation pay, sick pay, and Christmas bonuses, for a grand total of \$14.2 million to our workers and independent farmers.

In addition to our wage payments, there are the tax payments we will be making to the Dominican Republic. In the Dominican Republic, we are subject to export taxes on sugar shipped and an income tax of 56 percent. For the first time, all Dominican sugar producers are subject to the same type of taxes, and the same tax rates. These taxes further assure that the benefits of sugar operations in the Dominican Republic benefit the people, for the tax revenues finance government programs designed to raise the standard of living for all the people of the Dominican Republic.

We anticipate that our Dominican taxes for 1962 will approximate \$6 million. Accordingly, from wages and taxes, we, the South Puerto Rico Sugar Co., will alone be paying out \$20.2 million, an amount almost equal to the total receipts of the Dominican Republic in 1961 from the sale of coffee and cocoa, the second and third largest crops in the Dominican Republic.

The flow of benefits does not, however, end here. We, as an American company, have always felt obligated to advance the policies which our Government lately has officially adopted in the Alliance for Progress. We have always recognized the social dignity of our workers. Motivated by what I identify as enlightened self-interest, we have been, and are continually, undertaking social progress measures.

My pride will not be deemed unwarranted, I believe. I see the good results of our policy of treating our Dominican, American, and European workers identically and, in fact, giving priority to our Dominicans under our promotion program; of our adult education program to develop mechanical skills; of our agricultural scholarships program to provide talented youths with the opportunity to receive a college education; of our extensive housing program for our workers. Under this program we have provided on a rent-free basis over 5,000 temporary houses for our fieldworkers. At our factory, we have built, and provide also on a rent-free basis, 600 concrete houses with full indoor facilities. Finally, we are now in the process of completing extensive plans to construct concrete houses for our field labor at a cost of well over \$1½ million.

Our program of reinvestment to maintain our plant also creates benefits for Dominican workers. We have, however, marked time in recent years in carrying out this reinvestment policy—for a good reason. Our actions were consistent with the policies of the U.S. Government to avoid, to the extent feasible, any action which would inure to the benefit of, and help maintain in power, the former Trujillo regime.

In 1962, however, we reinstated our reinvestment program and have scheduled expenditures for maintenance and plant expansion of up to \$2 million, dependent on political developments in the island. In large part, the direction such political developments take will hinge on the results of your considerations in this committee.

Mr. Chairman, these are the facts; these are the benefits to the peoples of the Dominican Republic from our sales in the preferential U.S. market. But there should be no misunderstanding. Admittedly, if the U.S. preferential market is taken away or diminished, the American stockholders of the South Puerto Rico Sugar Co. will suffer. But the real loss will be that experienced first by the Dominican people, then by the Dominican Republic, and then by the United States in its critical foreign relations with all of Latin America.

Let me state at this point that I fully recognize and appreciate the problem with which Mr. Moscoso, for whom I have the highest regard, and his associates are concerned—the problem of assuring that the benefits of sales of sugar in this market assist the economics and peoples of the supplying countries. The proper solution appears simple to me; perhaps I am too naive.

As I understand the Alliance for Progress program, the recipient countries of our aid, as a condition to receiving aid, are required to initiate and implement certain measures to assure that the benefits are properly distributed throughout the country. If, in fact, any one country is not taking such measures and is, therefore, not eligible for Alliance for Progress aid, I would suggest that it would be entirely appropriate to suspend that country's sugar quota at the same time AID assistance is suspended, until corrective measures are taken.

But we should not cut off the traditional benefits of the U.S. market to all Western Hemisphere countries because of the possibility of an unfavorable situation in one or two countries. If that be the logic of the situation, then is it not equally logical to suspend Alliance for Progress aid to all Western Hemisphere countries when one such country fails to meet Alliance standards? And if a country is incapable of administering satisfactory wage and tax programs on its sugar earnings, surely it is incapable of properly administering Alliance gifts and loans.

There has also been the fear expressed that an overexpansion of production will result from the temporary reallocation of the Cuban quota to other countries. The Western Hemisphere sugar producing countries have been repeatedly warned that eventually a part of the existing Cuban quota will be restored to Cuba.

I believe this warning should be reinforced by providing in the new legislation a specific quota for Cuba to come into effect by Presidential proclamation. This will also eliminate any hysteria at such time as Cuba rejoins the free world.

I support the provision in H.R. 12154 setting the Cuban quota at 1½ million tons plus participation in the growth formula. This recognizes Cuba's present,

and worsening, sugar production capacity; it avoids the unfortunate return to a system of overreliance on one country for our foreign sugar supply; it eases the problem of reallocation now and cushions the eventual impact on countries benefiting from such reallocation when the happy day arrives when Cuba returns to the family of free nations.

I also recommend that the quota allocations and all contingent allocations be fully spelled out by Congress, as H.R. 12154 does, and also that quotas be assigned only to Western Hemisphere countries and the Philippines, as H.R. 12154 does not.

These proposals will assure easy administration of the Sugar Act now and in the future: will guarantee a sure supply to the U.S. consumer; will provide needed foreign exchange based on the principle of trade between equals; and will offer a sound basis on which to build healthy economies. If the quotas are spread the world over, or if overreliance is again placed on one country, the benefits will become so diverse as to offer only tantalizing prospects and little real beneficial meaning to most countries.

Finally, with respect to Dominican sugar, I would like to urge favorable recommendation by your committee of section 18 of H.R. 12154, which provides for the return to the Dominican Republic of approximately \$23 million collected through special fees on nonquota sugar purchases between September 26, 1960, and March 31, 1961.

The fees imposed, whether constitutionally imposed or not, were imposed by President Eisenhower's administration in order to achieve the desirable result of preventing the Trujillo regime from receiving the benefit of the higher U.S. prices for sugar for the Dominican share in the reallocation of the Cuban quota. Fees were not imposed on sugar coming from any other country.

Apart from the political correctness of the withholding of the price benefits of the Cuban reallocation to the Trujillo government, a legal issue arose. Accordingly, the South Puerto Rico Sugar Co., to protect the rights of its American stockholders, and the former Trujillo-owned companies, now completely taken over by the new Government, brought separate suits in the Court of Claims for the return of these moneys, on the ground that Congress had not authorized the imposition of any such import duties, and therefore their collection was unconstitutional.

Upon the overthrow of the Trujillo regime and the recognition of a democratic Dominican Government by the United States, the people of the Dominican Republic naturally believed that the money would be returned to the Dominican Republic. The position of the Council of State, and the Dominican people, is that the action of the United States in imposing the fees was obviously not designed to enlarge the Treasury of the U.S. Government, but to prevent a windfall to the Trujillo government. The Dominicans logically believed that the United States would hold these moneys in trust for the peoples of the Dominican Republic to be returned now that the Dominican people had established a democratic form of government.

The question of the return of this money has thus become a major political issue in the Dominican Republic. It is abundantly clear that a failure of the U.S. Government to return the moneys at this time to the Dominican Government, or an offer to return them through the Agency for International Development as a form of charity, would in either event cause a political crisis, directly playing into the hands of the small but militant Castroite Communist organizations awaiting the opportunity to attempt a takeover of the country.

Officials of the State Department in their testimony before this committee clearly stated that the money should be returned to the Dominican Republic. The question, therefore, becomes one of method of return.

The method of returning the money employed in section 18 of H.R. 12154 was actually initiated by, and at the time actively supported by, Mr. Moscoso and other officials of the Alliance for Progress program, in discussions in January-February 1962 with the Dominican Republic Government and our company, as the principal private sugar company in the Dominican Republic.

On the basis of requests made by Mr. Moscoso, our company, on its own initiative, negotiated and entered into an agreement with the government of the Dominican Republic. This agreement provides that in the event special legislation is enacted by the U.S. Congress authorizing the return of an amount equivalent to the collected fees, our company, with respect to its share, would forgo receiving any dollars returned, so that all the dollars would be deposited to the account of the Government of the Dominican Republic, thereby bolstering the foreign exchange of that country. Our company, under the agreement, would receive only the net amount in equivalent Dominican Republic currency, after payment

of Dominican taxes and payment to farmers, who originally supplied the sugar. The agreement further provides that such net amount of pesos shall be used for the construction of houses in the fields for use by our Dominican laborers and for improving roads. Thus, under section 18 all dollar amounts are returned to the Dominican Republic and neither the American stockholders of our company nor anyone else would receive any dollars. Our peso share of the return would be utilized for houses and roads to the benefit of the people of the Dominican Republic. Further, our company agreed to withdraw its lawsuit in the Court of Claims.

The other private company involved, whose claim amounts to approximately \$1.5 million, has concluded a similar agreement. The remaining amount to be returned, approximately 60 percent of the \$22 million, would be returned to the Government-owned sugar mills (which would also withdraw their lawsuit) and, accordingly, the return to the Government mills would inure to the benefit of the Government of the Dominican Republic, since there are absolutely no private interests (by stockholdings or otherwise) in these mills.

In labeling section 18 of H.R. 12154 as "undesirable" in its testimony before this committee, the U.S. Department of State did not contest the return of the money to the Dominican Republic at this time. In its statement before this committee on June 20, 1962, the Department of State merely indicated that it deemed it "wiser" that the money be returned through AID, rather than as provided in section 18.

It is not clear what the Department of State means by return of the money through AID. Based on a meeting with high officials of the Department of State late in March 1962, there is reason to believe that the Department of State means by its reference to returning the money "through AID" that the approximately \$23 million would be provided to the Dominican Republic in the form of grant assistance.

At this meeting, our company was advised that the Department of State proposed to return the money through grant assistance, the money to be used for projects submitted by the Dominican Republic Government and approved by AID, none of which could be related to any of the activities or operations of our company or the other private Dominican company. We were advised further at this meeting, that although AID was prepared to provide such grant assistance, a condition of such assistance would be that our company must first dismiss its lawsuit against the U.S. Government.

In other words, an American company, owned by American stockholders was told to give up its lawsuit or there would be no provision of AID in this amount of money to the Dominican Republic. Our company considered that this approach constituted an expropriation of our lawsuit, which is a property right, and constituted pressure on the part of the U.S. Government comparable to that to which our company was exposed during the many years of the Trujillo regime. We rejected this approach.

The Government of the Dominican Republic also rejected this approach. In addition to its objections to treating the return as a matter of charity, the Government of the Dominican Republic stated that it did not desire to identify itself with an approach which involved the expropriation of the property right of an American company. The Dominican Government still maintains this position.

It should also be mentioned, contrary to the statements of those who opposed the return, that the private Dominican Republic sugar companies shipping the sugar on which the fee was imposed, had no choice but to make the shipments under the Dominican law, which imposed severe penalties for failure to ship such sugar, as well as under the ever-constant threat of Trujillo expropriation.

Nor does it appear that enactment of section 18 would involve any congressional interference with the judiciary. Congressional action would constitute recognition of the moral validity of the Dominican claim and of the necessity for prompt U.S. Government action. There would not be involved congressional judgment on the strictly legal questions at issue or in any other way interference with the proper role of the judiciary. In fact, it may be suggested that the Department of State proposal to return the money "through AID" does involve interference with due process of law, since it requires an American-owned company to give up a lawsuit against the United States as a condition precedent to the receipt of AID by the country in which it operates.

Finally, I would like to point out that 90 percent of all current earnings of our company on its current sales of sugar to the United States are returned to the Dominican Republic under Dominican regulations. Thus, our company in agreeing to make available all the dollars that would be returned as its share under

section 18, is not in a position to make up for such loss of dollar earnings by adjusting the amount of dollars retained on current sales; nevertheless, our company, which has been operating in the Dominican Republic since 1911, is prepared to do this in order to show its support of the present Dominican Government.

The willingness of our company to support section 18 is not to be interpreted as any disparagement of our valuation of the lawsuit. Our willingness stems solely from recognition of the immediate need for dollars of the Dominican economy, the desirability to support the present Dominican Government, the understanding of the benefits to be gained by providing badly needed housing and road improvements in the Dominican Republic, and most important, recognition of the fact that if the present Dominican Government falls, our Dominican company, with an investment having a replacement value of approximately \$75 million, may well be lost.

I should like now to turn briefly to our company's operations in Puerto Rico. We have operated in Puerto Rico even longer than in the Dominican Republic—for 62 years, in fact. Last year our Puerto Rican mill processed over a million tons of cane, a new high for the last quarter century. I cite this achievement not only out of pride in what the Puerto Ricans are accomplishing, but also because there are some restless ones who wish to curtail Puerto Rico's quota.

These people are disturbed by the island's failure to meet quotas since 1956. The reasons for this failure are well known to you. Hurricanes, other damaging natural events, difficulties in adjusting to new growing and harvesting procedures have all played a part.

Certain steps have been taken, however, to correct those harmful causes over which man can exercise some degree of predictable control. That these steps are in the right direction is evidenced by the fact that the acreage harvested in 1960 exceeded that of 1959, and 1961's acreage was even higher. More important, yields have been increasingly greater each year. In fact, the 1961 crop was the highest since 1952.

This increasing improvement has been the result of more scientific planning and growing and through some introduction of mechanization. The individual producers have undertaken such measures as aerial spraying and sought improved efficiency in the use of labor and field machinery by lengthening the harvest season.

Our own company has created more employment by extensive night grinding. However, proper implementation of the 500-acre law, which limits to 500 acres the amount of land a corporation may own or control, and correction of the present situation cannot be fully effected without some means of providing the small farmer with the financial resources, the technical know-how, and the mechanization for correcting and improving growing practices.

Governor Muñoz has also recognized this problem. In fact, approximately 3 years ago the Governor of Puerto Rico, in a message to the legislative assembly, proposed that small farmers be permitted to enter into long-term contracts with servicing companies which would plant, cultivate, harvest, and process crops for a regulated fee. Servicing operators with adequate resources and technical knowledge to apply modern agricultural methods will boost production by 50 percent, at a conservative estimate. The servicing companies, which could be owned by mills, would not obtain ownership or control rights over the farm, thereby preserving the integrity of Puerto Rico's 500-acre law, with which our company has fully complied and against which we have no argument.

At the present time, a Governor-appointed committee, composed of representatives from government, farmers, and labor, are holding hearings to recommend action to be taken to correct the present situation. I believe this committee will recognize the need for action in the form of implementing the service contract concept and other progressive steps in order to increase productivity by providing the necessary financing, technical know-how, and mechanization needed to increase productivity.

So I urge you, do not cut Puerto Rico's quota now. Encourage the steps that are being taken, and give support to this American Commonwealth, which, under the wise leadership of such men as Governor Muñoz and Teodoro Moscoso, has become the showcase for the developing Western Hemisphere countries.

Let me, in conclusion, raise a new subject. For many years the directors of the South Puerto Rico Sugar Co. have been searching for new uses for both sugar and bagasse, the waste resulting from the production of sugar. Much has been done and is being done with respect to the utilization of bagasse. In fact, our own company in the Dominican Republic has been producing a chemical known as furfural for use, principally, by the DuPont Corp. in the United States. At

the present time, in light of the new political developments in the Dominican Republic, we, at last, feel free to expand this production in the Dominican Republic.

But not much has been done about developing new uses for sugar itself. This is a problem that faces not only our own company, but all sugar producers and all sugar economies. The future requirements of world sugar for human consumption are easily predicted; the only real variable is the rate of increase in population, for consumption per capita remains a stagnant figure. To solve the sugar economy of future generations, man must create new uses for sugar. The time to encourage the scientific breakthrough for new uses is now.

It has been our view that the responsibility for initiating the scientific research for developing new nonhuman consumption uses of sugar is the province of private initiative. Accordingly, last year our company engaged the internationally known U.S. management consulting firm, Booz-Allen & Hamilton, Inc., to undertake the first essential step, a scientific survey to measure the market of sugar uses as an industrial raw material and for other nonhuman consumption uses.

There is available for each member of this committee a copy of the report Booz-Allen & Hamilton has made to my company. I urge that it be considered at this time as opening up a new way of assisting the sugar producing countries of the Western Hemisphere in disposing of their sugar.

Let me briefly summarize the results of the survey. It confirms the fact there is virtually no market for industrial use of sugar at prevailing price levels. However, at price levels of 3.5 cents to 4 cents per pound of raw sugar and 4 cents to 5 cents per pound for refined sugar, a demand for 220,000 tons is projected in 1966 and 334,000 tons in 1971. The 1966 projection is more than double the present consumption of sugar for industrial uses.

This increase is based on existing known uses. One of the principal uses is the substitution of raw sugar for inverted molasses, formerly produced by Cuba and exported to the United States on a nonquota basis.

The really significant part of the report, however, is that if the Congress does provide for the availability of raw sugar for nonfood uses at prices significantly below the prevailing U.S. price, there will be stimulated a large amount of industrial research presently precluded because of the high cost of sugar. At this stage, I suggest the program be restricted to raw sugar.

As the committee can well appreciate, American research ingenuity will eventually create extensive new demands for sugar for nonhuman consumption. The achievement of this result over a period of time requires only that this committee acts now to authorize the importation of a fourth category of sugar—that is, raw sugar for industrial use.

To this end, I had prepared suggested legislation to authorize the importation of raw sugar at such levels for nonhuman consumption. I wish to stress the following points in connection with this proposed amendment to the legislation:

First: the sale of such sugar for such purposes be made available on a non-quota basis to suppliers of the U.S. and Western Hemisphere sources;

Second: the availability of a market for such sugar will obviously not interfere with the provision of sugar for human consumption to the United States at the premium price of the U.S. market;

Third: the availability of such sugar on a nonquota basis can offer a regular increasing market to the sugar-producing countries of the Western Hemisphere, enabling them to mitigate the inherent pitfalls of placing any reliance on the Soviet-Cuban controlled world market as the only market for the sale of sugar produced over and above the fulfillment of their U.S. quotas;

Fourth: the use of sugar for known, and yet to be discovered, purposes, offers untold benefits to people everywhere.

Our board of directors has been most gratified at the very careful survey undertaken by Booz-Allen & Hamilton and we feel that in authorizing this survey we have undertaken a project that can be of significant benefit to the sugar-producing countries of the Western Hemisphere. We have done this in full recognition that in the U.S. system of free enterprise it is free enterprise itself which must open the way to progress and expansion.

Let me briefly summarize my testimony:

First, let us recognize categorically that global quotas, whether arrived at immediately or tortuously over 5 years, and any recapture provision applicable to the Cuban reallocation, defy the successful history of the Sugar Act. Insofar as the Dominican Republic is concerned, the very making of these proposals by the administration jeopardizes the Dominicans' understandably unsteady steps toward achieving a sound democratic form of government. Let not this Govern-

ment, as the Dominicans leave the jungle of despotism, make their course more difficult, if not impassable. Let us not be beguiled by economic theories that defy history and commonsense; let us act responsibly in full recognition of the aspirations of the peoples in the Dominican Republic, indeed of all people to our south, in their hungry quest for economic improvement through supported self-help in an environment of progressive democracy;

Second, let us serve notice now in this legislation that where Alliance for Progress aid is suspended by reason of a recipient country failing to undertake proper self-help programs, the privilege to sell sugar in the U.S. market will also be suspended. Let the American citizen be assured that the privileges of both our aid, and of our trade in our preferential sugar market, are conditioned on the economically and politically sound premise that the benefits realized from both must be shared by all peoples;

Third, let us, for both selfish and unselfish reasons, always remember that the Western Hemisphere is the sugar bowl of the United States. Practical recognition of this fact can be secured by providing that our off shore sugar requirements be met from the Western Hemisphere and the Republic of the Philippines. This will benefit our consumers by assuring generally accessible high quality sugar; but it will also benefit our partners in President Kennedy's eloquently inspired Alianza para Progreso program;

Fourth, let us not handicap Puerto Rico, America's showcase of what inspired self-help can realize in a developing country, by attacking now its historical sugar quota position;

Fifth, let us in maintaining the proven practice of the sugar quota system not forget that the American tradition is to build on success, to look now to the future and to solve rationally and predictably the problems of the future. Let us seek new markets for sugar by encouraging the discovery and development of new industrial uses for sugar. Let us achieve this by providing for a new category of nonquota sugar for industrial uses to be available for supply from United States and Western Hemisphere sources.

Mr. Chairman, gentlemen of the committee, this concludes my statement. I thank you for your indulgence and hold myself ready to answer, to the best of my ability, any questions you may have on any aspect of my statement.

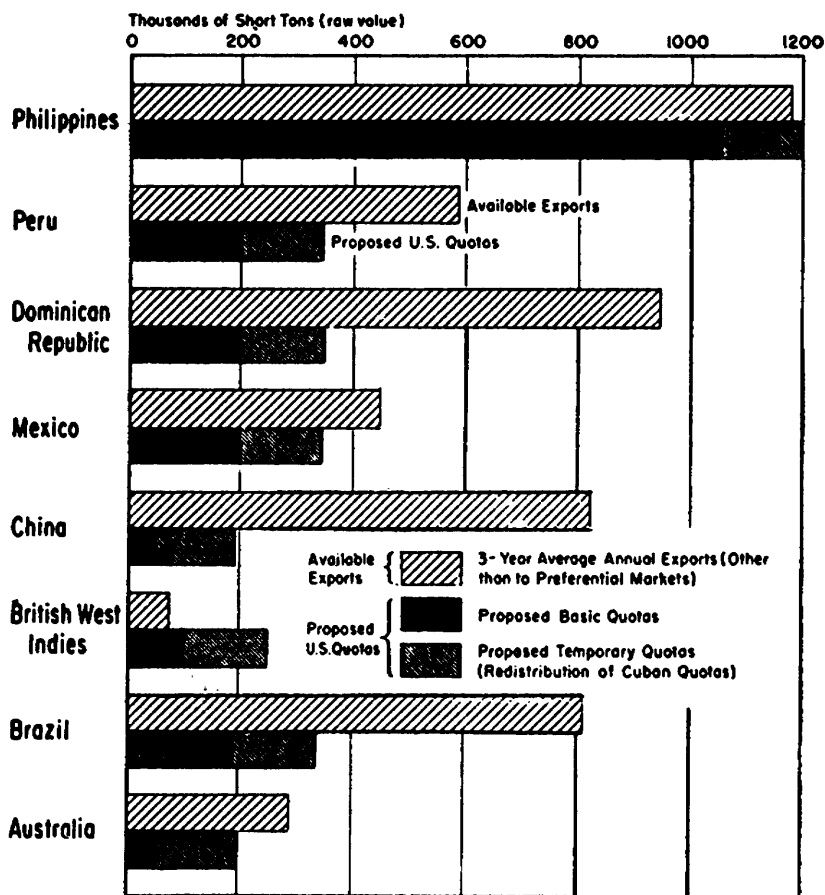
Thank you.

SUBMITTED BY G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO., NEW YORK, N.Y., IN CONNECTION WITH TESTIMONY BEFORE THE COMMITTEE ON FINANCE OF THE SENATE, JUNE 22, 1962

Subsection 212(4) of the Sugar Act of 1948, as amended (relating to the inapplicability of quota provisions), is amended to read as follows:

"SEC. 212. The provisions of this title shall not apply to * * * (4) any sugar or liquid sugar imported or brought into the United States from countries in the Western Hemisphere or produced or manufactured in the United States for the production of alcohol, or of any other products of fermentations, or for animal feed, or for the production of animal feed, or for use as a raw material in the manufacture of chemical products, or as an additive in non human food applications."

AVERAGE ANNUAL SUGAR EXPORTS vs. PROPOSED U.S. SUGAR QUOTAS¹

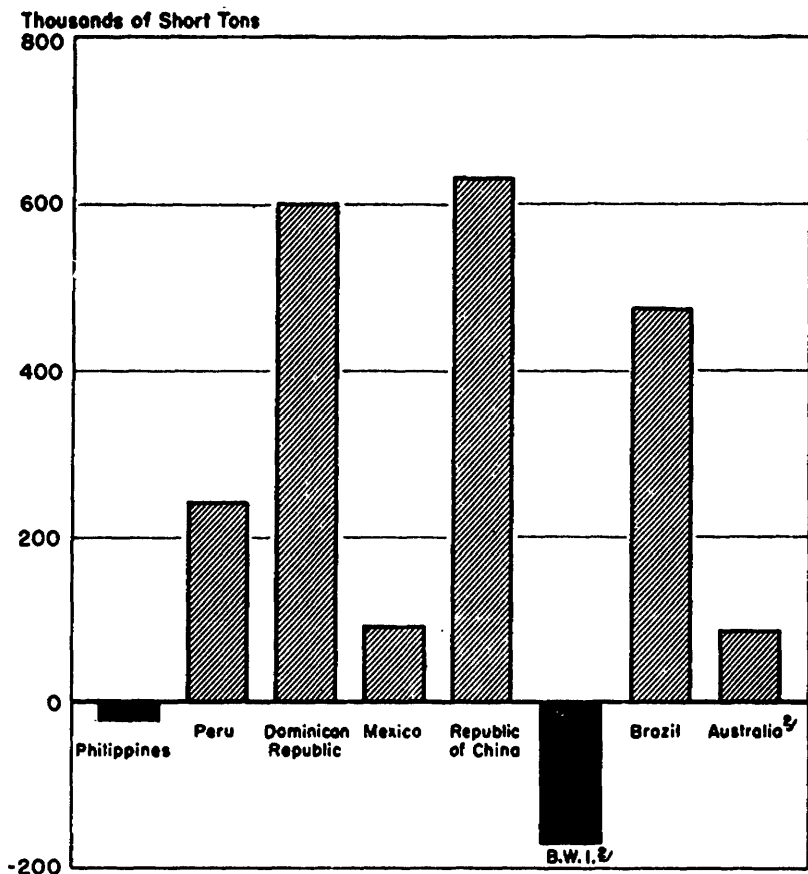


¹ As proposed in H.R. 12154

Source: Sugar Act Amendments of 1962; June 15, 1962, page 10.

SUGAR EXPORTS REMAINING FOR SALE ON THE WORLD MARKET

(Average exports of sugar after deducting proposed U.S. Quotas^{1/})



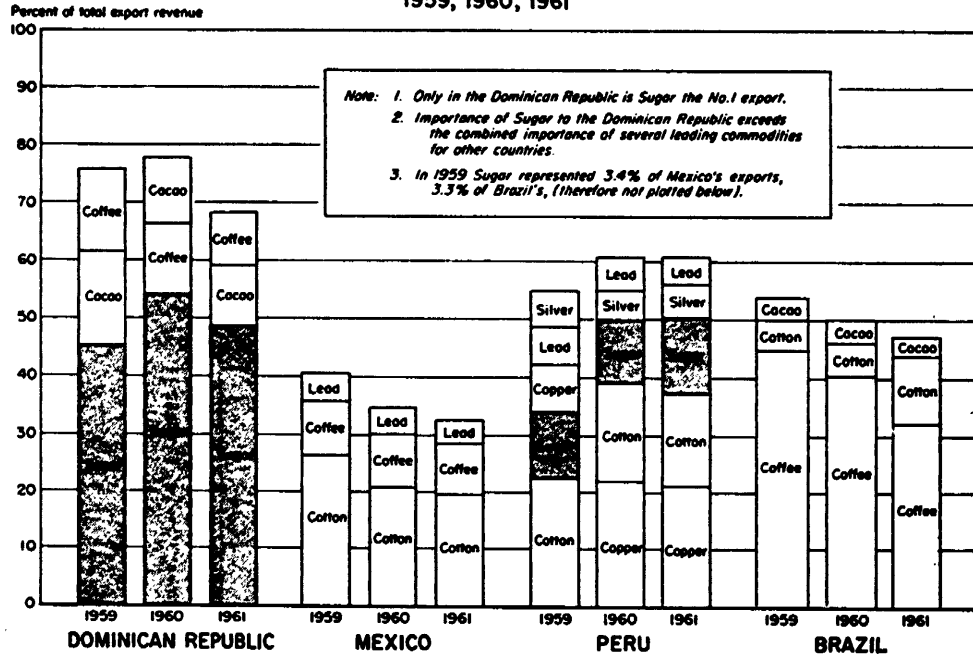
^{1/} as proposed in H.R. 12154

^{2/} excludes exports to preferential markets
(i.e., Commonwealth markets)

Source: Report, Sugar Act Amendments
of 1962, June 15, 1962—page 10.

PERCENTAGE OF TOTAL EXPORT REVENUE DERIVED FROM LEADING COMMODITIES IN EXPORT TRADE

1959, 1960, 1961



Source: "International Financial Statistics", I.M.F., Vol. XV, No. 6, June, 1962.

Mr. DEBEVOISE. I stand prepared to answer any questions which you may direct to me.

Senator DOUGLAS. Mr. Debevoise, what was the permanent quota assigned to the Dominican Republic under the law of 1961?

Mr. DEBEVOISE. I think we got, after the growth and everything, I think it is about 90,000 tons today.

Senator DOUGLAS. 96,000 on permanent quota?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. And the temporary quota was 222,723 tons. Are you aware of the fact that all countries were told that the quotas which they received were in no sense precedents for continuation? This was a reassignment of the Cuban quota, and it was made clear on the floor of Congress that these were not permanent reassignments. They were temporary due to the fact that because of the performances of Mr. Castro and his government we were ceasing to import sugar from Cuba. Is it not true that everyone knew this was a temporary assignment and was in no sense permanent?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. What?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. That is true?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. Is it not true that our State Department made this perfectly clear to all foreign governments?

Mr. DEBEVOISE. I would imagine so, sir.

Senator DOUGLAS. I am so assured.

Now, were you here when I gave my Yellowstone Park illustration yesterday? It is not when you feed the bears that you get into trouble; it is when you stop feeding them.

Mr. DEBEVOISE. Yes, sir. You told a number of stories which were new to me and which I enjoyed very much and which are very applicable.

Senator DOUGLAS. This is what we face.

Mr. DEBEVOISE. May I make one observation, sir?

Senator DOUGLAS. Yes, certainly.

Mr. DEBEVOISE. I don't follow your reasoning. As I see it, the consumer will not pay any lower price for sugar under the House bill.

Senator DOUGLAS. That is correct, but the taxpayers—who are identical to the consumers—will get \$150 million.

Mr. DEBEVOISE. The State Department says it will be returned in aid, sir. Aid is notoriously of greater expense to the taxpayer. I cannot follow your argument.

The Dominicans will get it back in aid. To me, trade is far better than aid. The Dominican Republic buys in the United States.

I don't follow you.

Senator DOUGLAS. Whether or not you get this back in added sums certainly it is a very poor way, in general, to distribute aid by giving bonuses and subsidies to those who happen to produce sugar. When the representative of the Dominican Republic takes the stand, I am going to congratulate him on the progress which his Government had made, and due to the fact that Trujillo wound up with nearly all of the sugar in the country in his control, I realize that the nationalization of the Trujillo estates means that the Dominican Republic, and, therefore, presumably, the Dominican people will get the benefit of the subsidies which would have gone to Trujillo and to you.

Nevertheless, this is an extremely haphazard way of distributing aid. Of course it is also true that, and I think in all frankness this should be stated, although I am well aware this will undoubtedly be used against us, I am well aware of the fact that the total amount of foreign aid will not necessarily be increased by the \$150 million which will go into the American Treasury. But I do not believe in deceiving anyone. So there will be some savings.

But many of us who are friendly to foreign aid feel the American taxpayer is also entitled to a break.

Yes; go ahead.

Mr. DEBEVOISE. May I ask you one question?

Senator DOUGLAS. Yes.

Mr. DEBEVOISE. Is not the great weakness of your position, sir, that you must protect the American industry and at the same time you have a sugar shortage and you don't want to pay the same price to foreign suppliers?

If you could do what you suggested for many years and buy all sugar at world prices, this would be equitable, would it not, sir? That is the difficulty you face, it seems to me.

Senator DOUGLAS. Mr. Debevoise, long ago I thought I was going to be able to reform the world, and then I hoped that I could reform the United States. Since then my ambitions have been narrowed.

I would like to repeal the entire system of duties and subsidies, in which event, I think sugar would be produced by the countries which are naturally adapted to producing sugar, namely the Caribbean countries. We could buy at world prices, and get rid of this subsidy to the domestic producers, and save, as I think our figures show, something like \$550 million a year in prices, plus \$72 million a year in cash subsidies which are paid out by the American consumers and taxpayers. But for many years now, as a politician, I have come in conflict with stubborn reality, and I know that the beet sugar States and the cane sugar States are so strong that we will certainly not be able for a long time to do that.

Now, does this mean that we can't take any steps to approach this? Does this mean that we must do nothing?

I have learned, Mr. Debevoise, that you must take a harsh stand, that is all you can do, and \$150 million is still, to my mind, a lot of money.

Mr. DEBEVOISE. It certainly is, sir. But I think the friendship of South and Central America is well worth that.

Senator DOUGLAS. Well, you see—

Mr. DEBEVOISE. That is the question.

Senator DOUGLAS. That is the constant appeal.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. We build up these vested interests and then these groups feel that they have a claim upon the United States. If we do not shell out then it is said, "You will lose our friendship."

I think they take a very mercenary attitude toward the United States.

We must always be giving, they say.

We are getting off into these questions, but these are matters that the people and the Congress will have to decide.

Let me ask you this question, to turn from general matters to specific questions: Do you have an American representative? Does the Dominican Sugar Association have an American representative?

Mr. DEBEVOISE. The Dominican Sugar Association?

I don't know, sir.

Senator DOUGLAS. You are not a member of the Dominican Sugar Association? That is a governmental institution?

Mr. DEBEVOISE. That is governmental.

Senator DOUGLAS. I see.

And you don't participate in that?

Mr. DEBEVOISE. We pay a tax to support the Defensa, as it is called, of 5 cents a hundred pounds.

Senator DOUGLAS. But you have no control over the distribution?

Mr. DEBEVOISE. No.

Senator DOUGLAS. Is Mr. Ortiz going to testify this morning?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. Well, I can ask him that question.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. You mentioned the fact you have lost the British market.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. How is that? How has that occurred?

Mr. DEBEVOISE. This won't take half a second.

Senator DOUGLAS. Yes.

Mr. DEBEVOISE. I will just read this statement made by Sir Ian Lyle. He is the chairman of the Board of Tate-Lyle, and he said:

Two points of particular general interest stand out in the annual review of the chairman of Tate & Lyle, Ltd.—Sir Ian D. Lyle. These are the company's loss of nearly 5 percent in the volume of home trade sales and 37 percent in exports due to the diversion of Cuban sugar to Russia and other Iron Curtain countries and, second, the long-term prospects if the United Kingdom joins the Common Market.

Much of this Cuban sugar, bought for political reasons, was unwanted by the Communists who, in order to make room for it, sold large quantities of their own production at whatever price it could command. Russia and her satellites exported some 336,000 short tons more in 1961 than in 1960 and much of this found markets in the Middle East, replacing Tate & Lyle's refined product. There is evidence, said Sir Ian, that Russia intends to keep up this pressure with the deliberate aim of capturing these markets as part of a general policy of aggressive trading at the expense of the free world.

They are selling refined sugar to the foreign markets of Tate & Lyle, such as Singapore.

Senator DOUGLAS. Do I understand what has happened is that Russia and Poland have bought Cuban sugar, 80 percent under barter, and then they turn around and sell it to Great Britain and our allies?

Mr. DEBEVOISE. They refine it, sir, and sell it into the former British market.

Senator DOUGLAS. And the British know that this sugar is coming from Cuba?

Mr. DEBEVOISE. Yes.

Senator DOUGLAS. So Great Britain is really a tacit partner in financing Castro in that they buy sugar from Russia which, in turn, helps Castro.

Mr. DEBEVOISE. No; sir; they are not buying sugar. They are unable to sell sugar in their former markets. They used to buy sugar from us and refine it—

Senator DOUGLAS. No, I am speaking of the British.

Mr. DEBEVOISE. They are not buying any of this Cuban sugar.

Senator DOUGLAS. They are buying Polish and Russian sugar?

Mr. DEBEVOISE. The British people may be because it is so cheap.

Senator DOUGLAS. I understand.

Mr. DEBEVOISE. I do not know whether they have put up any law to keep it out.

Senator DOUGLAS. The British Government is not preventing—

Mr. DEBEVOISE. I don't know whether they are now, sir, or not, but I know—

Senator DOUGLAS. You say you don't expect to sell any sugar?

Mr. DEBEVOISE. That is correct.

Senator DOUGLAS. So, therefore, you evidently expect that the Cuban sugar will continue to come into England via Russia and Poland.

Mr. DEBEVOISE. No, sir, because our sugar—it is a peculiar thing—our sugar had to be reexported by the British as refined. It was not sold in England for local consumption. That sugar was Commonwealth sugar. Whatever sugar they bought outside the Commonwealth such as from Domingo, was refined and reexported to the Straits Settlements, Hong Kong.

Senator DOUGLAS. I see.

Mr. DEBEVOISE. Now, the Russians are selling those markets today.

Senator DOUGLAS. I see.

Mr. DEBEVOISE. At prices the British cannot afford to sell, therefore they don't buy Dominican sugar.

Senator DOUGLAS. I am very glad that is cleared up.

In other words, the British have not broken faith.

Mr. DEBEVOISE. No, sir.

Senator DOUGLAS. I am very glad that is cleared up.

Mr. DEBEVOISE. No, sir. The British have never—I go over every year, they couldn't be nicer people to deal with, but we used to sell them, my company, a hundred thousand tons a year, and this year there are no sales whatever.

Senator DOUGLAS. What has been done has been to cut into the indirect sales of your sugar in southeastern Asia?

Mr. DEBEVOISE. Yes, sir. There is a little chart attached to my statement that may interest you. You will notice we have a tremendous amount of sugar over and above any proposed U.S. quota which you might call homeless—in other words, we have no subsidized market to sell it in. This sugar will have to go on the world market. You will notice on the chart that the Dominican Republic has an excess of 600,000 tons after giving effect to the quota allotted by the present House bill.

Now, the only place left to sell this sugar that I know of is Japan, and that is a long way off, and that is really China's market, you might say.

So this is a serious proposition for us, sir.

We are very dependent on the U.S. market; I am sorry to say it, maybe I am avaricious but the Dominican situation is a little worse than perhaps some of the others, because we have no big local consumption and we have no other preferential market.

Senator DOUGLAS. Now, the State Department is aware of this situation. The State Department certainly, I think, probably made a great mistake in supporting Trujillo as long as they did. I was always an opponent of Trujillo, but they finally woke up to what was happening in 1960, I think they began to tighten on Trujillo, and

certainly they have tried to be, since the new administration came in, cooperative with the new Government.

Now, don't you think that the State Department would be generous in the amount which they would give you at world prices during this transitional period? Why do you want to have this done by act of Congress?

Mr. DEBEVOISE. Could I make clear something perhaps I didn't last night. As I told you last night, I was tired when Senator Fulbright got after me.

Senator DOUGLAS. Well, I wouldn't say he got after you.

Mr. DEBEVOISE. I beg your pardon.

Senator DOUGLAS. He pressed you very closely. [Laughter.]

Mr. DEBEVOISE. He badgered me.

Senator DOUGLAS. Go ahead, sir.

Mr. DEBEVOISE. He said we made a very good profit in 1961. That is true, and I would like to explain it a little better, because that was the year when the 2 cents and 2½ cents fee was imposed on us. In other words, we sold at world prices.

Senator DOUGLAS. That is right.

Mr. DEBEVOISE. Our costs during that period were probably 3 cents—this is under Trujillo—and we probably got 3.40 cents as an average, that is \$8 a ton which is a very nice profit. Today, sir, as a result of the wage increases that have gone into effect—and properly so—in the Dominican Republic in anticipation of a share of the U.S. market, our costs are probably 3.40 cents and the world market is 2.60 cents.

Now, when I said "I could not sell you sugar," I could sell you some just to keep going so that I could last until the picture changed, but there would be unemployment, I would have to let a great many people go, and that would be bad in a country like the Dominican Republic today.

You would believe me if you had been down to the Dominican Republic recently. I go every 6 weeks and I am scared to death most of the time. It is these Castro fellows who scare you. They are only 60 miles away from the island. You can take all of my quota if you get rid of Castro tomorrow, because the Dominican Republic will be saved if you get rid of Castro.

But I think the Dominican Republic is a great chance for our State Department to win a sweeping victory for democracy, it won't go the way of Cuba, in other words, with a little help, and I would prefer some help under this bill rather than aid, because I do not believe you will reach the Dominican people the way we and the Government are doing today.

That is all I can say. I don't mean to be avaricious.

Senator DOUGLAS. You made reference last night, I think, to the fact that—no; that is in connection with the \$22 million suit.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. You made reference to the fact that any share you made in the reversion of the \$22 million of Dominican claims would be devoted to social purposes.

Mr. DEBEVOISE. It would be accepted in pesos, it would be devoted to social purposes and spent entirely in the Dominican Republic.

Senator DOUGLAS. What is your definition of social purposes?

Mr. DEBEVOISE. Objectives, in accordance with Alliance for Progress, is the exact wording in our agreement with the Dominican Government.

Can I tell you what the objectives are?

The objectives are housing, roads, and they would be in agreement with the Dominican Republican Government.

Senator DOUGLAS. I thought roads were the one thing that Trujillo had given to the Dominicans.

Mr. DEBEVOISE. You see—am I taking up too much time?

Senator DOUGLAS. No; I am very much interested in this.

Mr. DEBEVOISE. Under Trujillo we imported Haitian labor.

Senator DOUGLAS. Is it not true that once Trujillo brought in large quantities of Haitian labor, paid them wages, and when they got near the Haitian border murdered them and took their money from them?

Mr. DEBEVOISE. Well, I heard that a lot of them were murdered. I don't know whether that is true or not.

Senator DOUGLAS. Isn't it true that he staged that massacre and murdered them?

Mr. DEBEVOISE. I heard that. It happened on the border. We employed Haitian laborers every year.

Senator DOUGLAS. I think he only murdered once.

Mr. DEBEVOISE. Yes, sir; only once. [Laughter.]

But we brought them in year after year, Senator.

Senator DOUGLAS. Yes; I know.

Mr. DEBEVOISE. Then we sent them back.

Now, this Government very wisely decided one way to reduce unemployment was to employ Dominicans who had always refused to cut cane. For that reason the wages were double.

Now, the Dominican is willing to cut cane, but he will not live the way the Haitians did. The Haitians lived pretty low. We have to put in roughly 5,000 houses. This will be done with these funds.

Now, sir, this is not charitable on my part. If we can get a good happy bunch of workers who will stay with us, and if we can protect the very substantial investments we have in the Dominican Republic, it is well worth my while to do this. It is not a windfall, Senator, believe me.

It will be good for the country.

Of course, it is good for me, because we will have a happy labor force, and with houses and little plots of land, and they will work all year around. That is the answer to it.

Incidentally, just for your information, in my longer statement this matter of the \$23 million or \$22,750,000 is covered on pages 17 to 23 at great length, which gives you all the details, so I won't go into it.

Senator DOUGLAS. Thank you very much.

Dr. Ortiz of the Dominican Republic Sugar Commission.

Dr. Ortiz?

We are glad to have you, Dr. Ortiz. Let me say whatever our differences may be on the matter under consideration, we are all very glad that the Dominican people finally overthrew the Trujillo government, that we wish you extremely well. We try to be constructive in our help, we want to be constructive and continue to be constructive.

Our bounty is not unlimited. We have very serious problems here. We have an unfavorable balance of payments of something like

\$4 billion a year, despite the fact we have a favorable balance of trade of \$3 billion. We are bearing enormous burdens. We are bearing the major expense for the defense of the free world with hundreds of thousands of troops stationed abroad to protect the independence of other countries. We are providing more foreign aid than any nation in the world.

We are generous with our capital investments abroad. And the burdens upon us are extremely heavy. I do not think people have realized in the past the aid which we have given to the sugar-producing countries. We have paid a premium, or, as I prefer to call it, a subsidy, over the world price to the sugar producers of other countries for many years.

In the last 15 years these indirect subsidies, both domestic and foreign, have amounted to over \$4 billion.

Under the House bill, the next 5 years they will come to \$2½ billion. About 40 percent of this will go to foreign sugar producers.

The United States cannot be charged with being ungenerous. Castro has been extremely unfair in what he has said. He has represented that American sugar interests exploited Cuba. As a matter of fact, the subsidies which we paid to Cuba above the world price each year amounted to close to \$150 million. So I hope these facts may be borne in mind.

Now, we are very glad indeed to listen to your testimony, which we will do with a sympathetic heart as far as possible, an open mind.

Mr. ORTIZ. Thank you very much, Mr. Chairman.

STATEMENT OF S. SALVADOR ORTIZ, PRESIDENT, DOMINICAN COMMITTEE FOR THE DEFENSE OF SUGAR AND SUGAR CANE IMPROVEMENT, ACCOMPANIED BY PHILIP MAGUIRE ATTORNEY

Mr. ORTIZ. My name is S. Salvador Ortiz. I am a Dominican national—a national of a new democratic government in the Western Hemisphere. I wish to thank you for the privilege of appearing before this committee.

I am president of the Dominican Committee for the Defense of Sugar and Sugar Cane Improvement. As such, I represent the economy of my country, for sugar is the economy of the Dominican Republic.

When President Eisenhower in September 1960 imposed the tax of 2 cents per pound on the Dominican share in the reallocation of the Cuban quota, when he increased it to 2½ cents per pound at the beginning of 1961, when this Congress under President Kennedy authorized the elimination of the purchase of nonquota sugar from the Dominican Republic, you helped my people in their critical efforts to overthrow the Trujillo regime.

The breaking of diplomatic relations with the Dominican Republic, the curtailment of exports to the Dominican Republic, the resolutions against the Trujillo regime by the OAS—all these were encouraging symbols to my people. But the most effective help you gave us in our long struggle against the Trujillo government was the imposition of the special duty on our sugar, a duty which resulted in the Trujillo regime realizing a price almost equivalent to the low world market prices.

When the present Government of the Dominican Republic came into existence in January of this year, we faced the inevitable consequences of the economic devastation brought about by Trujillo.

We were bankrupt; economic activity was at a standstill; unemployment stalked the land in proportions unknown to us in recent history.

You provided us aid, you provided us technical assistance, but most of all, you assured us of the possibility of achieving economic recovery and political stability through our own efforts.

Three million people cannot live on charity; democracy cannot be created in an atmosphere of idle hands doing nothing but receiving doled-out aid. By authorizing the importation in the first 6 months of 1962 of 480,000 tons of raw sugar at the full U.S. price—

Senator DOUGLAS. Incidentally, Dr. Ortiz, remember this was $2\frac{3}{4}$ cents above the world price.

Mr. ORTIZ. I beg your pardon?

Senator DOUGLAS. I say, when you say at the full U.S. price, remember that this was $2\frac{3}{4}$ cents above the world price.

Mr. ORTIZ. Yes, of course, Senator.

You made it possible for us to take the steps necessary to create the beginnings of a sound democratic way of life.

We have today no other means of surviving economically than to produce and sell sugar. And in today's world market controlled by the Soviet bloc utilizing Cuban sugar, we have in effect nowhere else to sell our sugar than in the United States. Your aid, your technical assistance have been meaningful but without the authorization to sell this amount of sugar to the United States, all would have been in vain.

Let me now frankly ask the question that all my people are asking my Government—why, now that we have the possibility of maintaining and perfecting a democratic form of government, does your Government propose through the global quota formula to treat us, a friendly neighbor, in the same way you penalized the Trujillo dictatorship.

It is not enough for us to know that the money realized from the imposition of the U.S. tax on our sugar may come back to us in the form of aid. Aid cannot maintain a democratic government where the economy is idle, the people unemployed, and fear replaces the hope we now have.

If we are denied both a large quota and a significant reallocation of the Cuban quota at existing U.S. prices, we are denied the opportunity to make our democracy work. The cost of our sugar production today because of wage increases, taxes, and the financial burden of social reforms denies us the possibility of selling our sugar in the world market.

We have available for export 900,000 tons of sugar, whose growth and production is the principal activity of our small country.

Senator DOUGLAS. Dr. Ortiz, in the chart, which Mr. Debevoise submitted the sugar exports available for sale in the world market by the Dominican Republic are shown to be 600,000 tons.

You give a figure of 900,000.

Mr. ORTIZ. 900,000 for total exports. We have a production of about a million, over a million tons this year of which we have a local demand for a hundred thousand. The balance is totally export.

Senator DOUGLAS. Mr. Debevoise, do you accept Dr. Ortiz' figures of 900,000, in your statement?

Mr. DEBEVOISE. Senator, I believe that means above the quotas in the House bill of 350,000 tons, there are 600,000 tons more available for export.

Senator DOUGLAS. I see.

This is the homeless sugar over and above the quota.

Mr. ORTIZ. If the major part of this sugar cannot be sold in the United States, aid cannot cure the economic chaos and political confusion that will follow.

We are a new democracy. In our search for a democratic self-government we will make mistakes. But our democracy will not perish because of inactivity, because of a fear of moving forward. The principles of Alliance for Progress are not words to us; they are not used as symbols for promises made meaningless by indecision and a failure to act.

The Dominican Government of 185 days has accomplished the following:

We have imposed an income tax based on your experience that the burden should be borne progressively by the more fortunate;

We have instituted an agrarian reform law providing landless peasants with land and Government assistance to assure that the land will be productive.

We have established a National Housing Institute with Government capital to provide construction of low-income homes;

We have created a system of savings and loan associations;

We have created a National Tobacco Institute to assure protection to the growers of tobacco;

We have enacted laws for the protection of consumers, the punishment of those who would speculate in the pricing of foodstuffs and other essentials of life;

We have created a planning board to assure the coordination and proper development of all new economic activities;

We have established an Industrial Development Corporation to provide the necessary capital for the creation of new industries too large to be financed solely through private channels;

We have formulated new wage measures providing for substantial increases in basic salaries for all classes of people from the cane cutter, to the factory worker, to the white-collar worker;

We have instituted procedures to protect the workers' right to collective bargaining;

We have welcomed the development of new private enterprises, financed through both private Dominican and friendly, foreign investors;

We have gained the confidence of our people to invest in our country, not in numbered accounts in Switzerland.

All this we have done in 185 days. It has been possible to do all this because of one simple, basic economic fact—we have been able to inaugurate the development of a healthy economy through the dollars earned this year by the sale of 480,000 tons of sugar in the U.S. market.

Three million people of the new democracy in the Western Hemisphere urge that you authorize a sufficient basic quota and a sufficient reallocation of the Cuban quota, all at the existing U.S. preferential

market price, to assure the continued development of a stable and friendly democratic government.

I must tell you of our needs in concrete terms. We need a basic quota of around 500,000 tons; we need a reallocation of the Cuban quota of approximately 300,000 tons. If this amount of sugar is authorized to be exported to the United States at this time, our democratic Government will continue to flourish.

More than this, at such time as Cuba rejoins the nations of the free world, not only will we be able to give up its reallocation but we will welcome the opportunity to do so.

We know that reallocation cannot become a part of our permanent quota, nor do we want it that way.

It is much more important to us than it is to you that Cuba returns to the Western Hemisphere system; that return will assure us of the termination of the operations in our country of agents of subversion, promising unrealizable goals in an effort to draw the Dominican Republic away from the democratic system and out of inter-American political and economic unity.

So be assured. If you give us a satisfactory quota, if you give us a reasonable participation in the Cuban reallocation, we will survive. More than that, when they return to the Western Hemisphere alliance, the Dominican Republic will be in a position not only to provide the proof that a democratic government can be established and succeed in the Caribbean, but our people will actively participate in helping a new Cuba achieve that goal.

Thank you.

Senator DOUGLAS. Thank you, Doctor.

Now your last sentence interested me.

You said "our people will actively participate in helping a new Cuba achieve that goal."

If and when Cuba returns to the family of democratic nations would you be willing to give up any quota that you have or reduce your quota to help the situation in Cuba?

Mr. ORTIZ. That portion that is the reallocation from the Cuban quota we would be willing to return.

Senator DOUGLAS. May I ask this question.

Where are the members of the Trujillo family now? Are they in this country?

Mr. ORTIZ. I understand some of them are in Spain and some of the others are in France.

Senator DOUGLAS. In France?

Mr. ORTIZ. Yes.

Senator DOUGLAS. Are there any in the United States?

Mr. ORTIZ. I really don't know. But I don't think so.

Senator DOUGLAS. You don't know.

Are you able to estimate the amount of money which the Trujillo family has on deposit in foreign banks?

Mr. ORTIZ. This is a very difficult question, the estimates of about \$500 million have been made.

Senator DOUGLAS. \$500 million?

Mr. ORTIZ. Yes, sir. I know that during the last year, that is in 1961, they took away in foreign exchange alone about \$60 million.

Senator DOUGLAS. \$60 million. You can trace that through the accounts?

Mr. ORTIZ. We can calculate that knowing the exports of the companies in which they had their moneys invested.

Senator DOUGLAS. This is deposited in the main in the Swiss banks?

Mr. ORTIZ. That is our information.

Senator DOUGLAS. Pardon?

Mr. ORTIZ. That is the information we have but we cannot confirm it.

Senator DOUGLAS. You can trace this somewhat through the fact that the Dominican accounts, isn't that true, they are Dominican accounts?

Mr. ORTIZ. In 1960, yes.

Senator DOUGLAS. Well, don't your accounts go back for a prior period or were those destroyed?

Mr. ORTIZ. I don't understand the point.

Senator DOUGLAS. Well, in order to send money out of the country there would have to be some record in Santo Domingo itself; would there not?

Mr. ORTIZ. That is very difficult, because, for instance—

Senator DOUGLAS. How did you trace it for 1960?

Mr. ORTIZ. Just making a calculation of the exports of the companies that were owned and operated by the Trujillo family. If we can add all these exports and we find that the foreign exchange did not enter into the Dominican Republic we have to assume this money was deposited in foreign banks.

Senator DOUGLAS. Did they control virtually the entire export trade?

Mr. ORTIZ. On sugar, for instance, they had 60 percent. On chocolate they had about 60 percent. On cement business they had practically total control.

Senator DOUGLAS. What about the banks?

Mr. ORTIZ. The banks?

Senator DOUGLAS. Yes.

Mr. ORTIZ. The banks were Government.

Senator DOUGLAS. That was Government?

Mr. ORTIZ. Are Government banks; yes. The Trujillo family did not operate any commercial banks.

Senator DOUGLAS. Is it your belief that these are in numbered accounts in the Swiss banks?

Mr. ORTIZ. Yes. That is the general opinion in our country, because the Government has been unable to trace these funds and it would be most difficult to take some action to get return of some of this money for the people.

Senator DOUGLAS. Have you instituted any action to try to recover these sums?

Mr. ORTIZ. There has been some action but not very successful up to now.

Senator DOUGLAS. Why have you had lack of success?

Why has it not been successful?

Mr. ORTIZ. Well, for this reason. If they have this money deposited in Swiss banks, in numbered accounts, you know how difficult it is even to get information about it.

Senator DOUGLAS. The Swiss refuse to state who owns the accounts. The Swiss refuse to state who owns the deposits?

Mr. ORTIZ. Yes. But I don't think the Government has requested that in a formal manner.

Senator DOUGLAS. The Swiss resent being told that they are the depository of the "hot" money of the world, but this is one more bit of evidence to indicate that this is the fact.

Do you think you have got any chance of recovering this money? You see that would be a great help, too. That is the equivalent of 5 million tons of sugar.

Mr. ORTIZ. Yes; it would be a very—

Senator DOUGLAS. Or at world prices 10 million tons of sugar.

Mr. ORTIZ. But the actual chances of recovering that are very poor.

Senator DOUGLAS. Pardon?

Mr. ORTIZ. The chances of recovering that are very poor.

We got some time ago some certificates of deposits in foreign banks amounting to about \$20 million, but when we went to present these certificates of deposit, the money had already been withdrawn.

Senator DOUGLAS. I didn't get that. I didn't understand.

Mr. ORTIZ. I said some time ago on the boat that took the family of Trujillo to Paris, there was found a package of documents including certificates of deposits in foreign banks that were taken by the Government and presented to the banks. But the money at the time that these documents were presented—the money had already been taken out.

Senator DOUGLAS. You have possession of those documents?

Mr. ORTIZ. Yes; they are in the Dominican Republic.

Senator DOUGLAS. Would you be willing to state for the record what those documents disclosed?

Mr. ORTIZ. I don't have the details.

Senator DOUGLAS. Pardon?

Mr. ORTIZ. I say, I do not have the details with me. But we can supply the information to you. It was published in the papers, even reproductions of the documents and everything, but this was for a minor amount, as I say \$20 million.

Senator DOUGLAS. 9 million?

Mr. ORTIZ. \$20 million.

Senator DOUGLAS. This was the sum that the members of the families took out with them?

Mr. ORTIZ. Apparently at the last minute.

Senator DOUGLAS. At the last.

The last trip they made?

Mr. ORTIZ. Yes.

Senator DOUGLAS. Do you know how they took this out? In cash?

Mr. ORTIZ. Probably in cash and checks or other documents.

Senator DOUGLAS. Senator Curtis, do you have any questions?

Senator CURTIS. One question.

You state:

It is not enough for us to know that the money realized from the imposition of U.S. tax on sugar may come back to us in the form of aid.

Who has informed you that that will happen?

Mr. ORTIZ. We have been informed that some of this money that is going to be collected from the price differential will be used for foreign aid through the Alliance for Progress.

Senator CURTIS. Who told you that?

Mr. ORTIZ. That is the information we have in the Dominican Republic.

Senator CURTIS. Who told the Dominican Republic that?

Mr. ORTIZ. I do not know. That was brought to our government.

Senator CURTIS. Is it your understanding that someone connected with the U.S. Government has informed your government of that?

Mr. ORTIZ. Probably somebody connected with the Alliance for Progress.

Senator CURTIS. And that information has been given generally the countries in the Western Hemisphere, has it not, is that your understanding?

Mr. ORTIZ. That is the information?

Senator CURTIS. Yes.

Similar information has been given to countries throughout the Western Hemisphere, is that correct?

Mr. ORTIZ. Well, that I don't know. I know of our own case but I don't know about other people.

Senator CURTIS. Well, I have had private information come to me that this suggestion has been spread in other places.

Mr. ORTIZ. But I understand also that there is a provision in the House bill which provides for that.

Senator CURTIS. I beg your pardon?

Mr. ORTIZ. A provision in the House bill provides for that. That is one of the reasons also why we have this impression.

Senator CURTIS. Is that the way you prefer it rather than receive the American price for sugar, you would rather pay this duty and then have some aid sent to you?

Mr. ORTIZ. No, of course not. We do not prefer that. We prefer to receive the full price, and to have a reasonable quota. It will operate much better for us. That will be trade, actually.

Senator CURTIS. That is all, Mr. Chairman.

Senator DOUGLAS. Dr. Ortiz, do you have a representative in this country of the Dominican Republic Sugar Commission?

Mr. ORTIZ. At the present time we have Philip Maguire who has been working for us only about 2 weeks. His contract is before the Council of State and has not been approved yet and it is a contract that provides for services as general legal counsel in the United States not only in connection with sugar matters but other matters.

Senator DOUGLAS. When was the contract signed with him?

Mr. ORTIZ. It has not been signed yet.

Senator DOUGLAS. When did Maguire sign the contract?

Mr. ORTIZ. I beg your pardon?

Senator DOUGLAS. When did Maguire sign the contract?

Mr. ORTIZ. As I say, it has not been signed. The contract has been entered between the sugar commission—

Senator DOUGLAS. Is Mr. Maguire here?

Mr. MAGUIRE. Yes, I am.

Senator DOUGLAS. Will you come forward?

Mr. ORTIZ. And has been presented to the Council of State for approval and will be, I am sure that it will be approved but it has not been completely signed. I can give you the details of this contract if you would like.

Mr. MAGUIRE. I think, Senator, that perhaps I can explain.

Senator DOUGLAS. Yes.

Mr. MAGUIRE. I was invited to go to Santo Domingo in late May to discuss with Government officials representation of their Government here in the United States.

I did go and following the discussions we reached an understanding. They asked me to, and I did, write a letter in which I outlined my understanding of the agreement that we had reached.

In the last paragraph of the letter I asked if they would confirm my understanding of the agreement which we had reached which they have not yet had an opportunity to do.

I have, however, registered as a representative of a foreign principal and have attached a copy of that letter to my registration application.

Senator DOUGLAS. Now, what is your fee, if the contract goes through?

Mr. MAGUIRE. \$18,000 for the period from June 1 to February 28, 1963. That is 9 months.

Senator DOUGLAS. This would be at a rate of about \$22,500 for the year?

Mr. MAGUIRE. It would be at the rate of \$24,000.

Senator DOUGLAS. \$24,000 a year?

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. \$2,000 a month.

Mr. MAGUIRE. I would like to point out that the Council explained to me the reason they wished to enter into the contract or enter into the understanding only for the period through February 28, was because that is the date on which the government that is scheduled to be elected in December will take office.

Senator DOUGLAS. I understand.

Mr. MAGUIRE. They explained they did not wish to make commitments binding the new government that will come in. They simply wanted to have representation here during the period for which they have responsibility.

Senator DOUGLAS. I understand.

Is there an allowance for expenses also?

Mr. MAGUIRE. Only for out-of-pocket expenses.

Senator DOUGLAS. What do you mean by "out-of-pocket expenses"?

Mr. MAGUIRE. Such as my trip to the Dominican Republic.

Senator DOUGLAS. Would it include entertainment expenses here in Washington?

Mr. MAGUIRE. No, sir. It would include, as I have outlined in my letter, cables, telephone calls, translations, taxicab fare, or transportation and the like.

Senator DOUGLAS. There was a witness yesterday who said he had already spent his salary or fee and expenses, which was quite a liberal salary, and I forgot to question him as to how he could have spent all this money immediately, which was a slip on my part, but which I now raise for the purpose of the record in case any evidence is submitted on this point.

I don't want to put a man in double jeopardy, so I shall not recall him.

Why do you think the Dominican Sugar Commission needed an American representative, Mr. Maguire?

Mr. MAGUIRE. For two reasons, I think, Senator: One, I think it is the position of the Dominican Republic that if sugar quotas are to be established by the Congress of the United States, it is necessary, and they feel the need to have someone who can bring to the Congress of the United States the facts and considerations, which they feel are very particular in their case, for the maximum quota allotments that it is possible for the United States to make.

On the other hand, if the quotas are fixed by the executive branch rather than the Congress of the United States, they wish to present to the executive branch, which means for the most part, the Department of Agriculture, and the Department of State, the considerations that exist during this changing period for them.

Senator DOUGLAS. Couldn't the diplomatic representatives and the commercial attachés do that?

Mr. MAGUIRE. In some instances they will, of course. They are today, and there is a delegation here of 16 people from the Dominican Republic, composed of members of the government, of industry, of labor, of farmers, of the press, and of the banks who have had a meeting with the Under Secretary of State and members of his staff, and who hope to have a meeting with the Under Secretary of Agriculture today, and will also have, hopefully, meetings with members of the White House staff.

The diplomatic representatives most certainly will work. However, I think in most instances foreign governments and foreign nationals feel the need to have the guidance and counsel of people here in terms of how to approach the U.S. Government, and its various agencies.

Senator DOUGLAS. Do they feel the need of a representative in order to approach the U.S. Congress?

Mr. MAGUIRE. I think so, sir. For the most part, the U.S. Congress does not encourage direct approaches by foreign nationals. They do permit—

Senator DOUGLAS. They would be very happy to welcome you, Dr. Ortiz.

Mr. ORTIZ. Thank you.

Mr. MAGUIRE. The Congress does permit the employment of American citizens as representatives of the various interests that wish to bring their considerations before the Congress.

Senator DOUGLAS. Mr. Maguire, do you have a special background in the field of sugar?

Mr. MAGUIRE. No, I do not.

During the time I was in Government I was exposed to some background and experience in the sugar field but it was entirely during a 6-year period when I was in the Department of Agriculture from 1935 to 1941.

I was at that time Deputy Administrator of the Surplus Marketing Administration and we had a measure of responsibility for sugar.

I was also in the War Production Board, and had a measure of responsibility for the administration of the sugar allocation order.

But other than that, I have had no experience in sugar and have never represented anyone in the sugar business nor had anything to do with it in the intervening years.

Senator DOUGLAS. You have been in private practice of law since then?

Mr. MAGUIRE. No, I have not. I spent 16 years in government. I have been in the private practice since 1950.

Senator DOUGLAS. Yes.

Since 1950 you have been in the private practice of law?

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. Have you represented any other foreign countries?

Mr. MAGUIRE. No; I have not.

Senator DOUGLAS. Of course, you are aware of the fact that the quota assigned to the Dominican Republic under the 1961 act was 96,000 tons?

Mr. MAGUIRE. That is right, sir.

Senator DOUGLAS. And that the temporary quota is 222,000 tons?

Mr. MAGUIRE. That is right, sir.

Senator DOUGLAS. Have you impressed upon your clients the fact that this 222,000 was a temporary quota, did not constitute a permanent right?

Mr. MAGUIRE. They are acutely aware of that, Senator. They never made very large shipments to the United States until the Cuban quota was taken away.

Senator DOUGLAS. That is right.

Mr. MAGUIRE. They do understand that the allocations they get from the Cuban reserve quota are on a temporary basis.

Senator DOUGLAS. Dr. Ortiz, you heard Mr. Debevoise testify.

Is it your contention that your chief difficulties have been caused by the fact that Great Britain is no longer purchasing sugar from you for sale in southeast Asia?

Mr. ORTIZ. Yes; it is one of the major factors.

Senator DOUGLAS. And she is not purchasing sugar because Russia and Poland are directly selling Cuban sugar in southeast Asia?

Mr. ORTIZ. Exactly.

Senator DOUGLAS. And this has, therefore, indirectly deprived you of a market?

Mr. ORTIZ. Yes, of our biggest market.

Senator DOUGLAS. And, therefore, you turn to the United States for replacement?

Mr. ORTIZ. Exactly. In the past, over 70 percent of our exportable sugars went to England. It was an appreciable market and this year we have not been able to sell a single ton because of this fact.

Senator DOUGLAS. I think you and Mr. Debevoise have made a very strong case and I think it would appeal to the American people.

The trouble is that if we make an exception to you we open the floodgates for other countries, and that is our difficulty.

Mr. ORTIZ. But, Mr. Chairman, the situation of the Dominican Republic as you have seen is a very peculiar one, not only on account of the economic problem confronting us now but the political establishment of the country.

Senator DOUGLAS. You mean you also have the problem of Castroism, you mean?

Mr. ORTIZ. We have a very, very serious problem.

Senator DOUGLAS. Of course, Haiti has this problem.

Mr. ORTIZ. Who?

Senator DOUGLAS. Haiti, your sister republic.

Mr. ORTIZ. Yes; but Haiti—

Senator DOUGLAS. Which is even closer to Cuba than you are, and every country in the Caribbean, every country in Latin America, has this problem.

Does this mean that we must pay this premium or subsidy to every country?

Mr. ORTIZ. I think it would be extremely convenient—

Senator DOUGLAS. Pardon?

Mr. ORTIZ. I think that would be extremely convenient.

Senator DOUGLAS. I am sure it would be convenient. I have no doubt of it whatsoever. It would also be extremely expensive.

Mr. ORTIZ. Well, sometimes it is a good thing to have this type of expenses.

Senator DOUGLAS. I again want to say the ability of the United States to bear these burdens is not unlimited. It is not unlimited. We are strong, but I doubt if we can support the whole world.

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. In your letter to Dr. Ortiz, did you say—

I am hopeful that it will be possible to realize substantial benefits for the Dominican Republic in the process.

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. And in your registration statement did you indicate that your duties were to assist Dominican Republic producers and processors in marketing sugar in the United States and in watching legislation?

Mr. MAGUIRE. Yes, sir. I must point out, Senator, at that time the House hearings had already been held. They were finished insofar as presentations by country representatives were concerned.

It was a fact that two bills were before the Congress, one the administration bill, and the other the bill which I believe is before this committee now, which provided substantial quota benefits to a large number of countries.

Senator DOUGLAS. Now, there is pending in the Court of Claims, is there not, a claim of \$22 million by the Dominican Government and the South Puerto Rico Sugar Co. against the United States for the bounty on sugar which was withheld from the Trujillo Government, is that true?

Mr. MAGUIRE. That is correct.

Senator DOUGLAS. That is pending in the court.

Mr. Maguire, now, on an amendment in the House this was introduced into the bill, isn't that right, provision for payment?

Mr. MAGUIRE. That is true.

Senator DOUGLAS. Were you active in getting that included in the bill?

Mr. MAGUIRE. I was not, sir.

Senator DOUGLAS. Do you know where that came from?

Mr. MAGUIRE. I do not.

Senator DOUGLAS. What? You do not know?

Mr. MAGUIRE. I do not know.

Senator DOUGLAS. The child was born underneath the rose bushes without a visible father.

Mr. MAGUIRE. I can, Senator, tell you what my understanding is.

Senator DOUGLAS. Yes; I would appreciate it.

Mr. MAGUIRE. But I really don't know if this is accurate, certainly in all details.

Senator DOUGLAS. I understand.

Mr. MAGUIRE. This has been a very controversial subject; the withholding of the premiums in late 1960 and early 1961.

Senator DOUGLAS. Which, Dr. Ortiz very properly said, played a very important part in the ousting of Trujillo and for which he praised us.

Mr. MAGUIRE. That is right, sir.

Senator DOUGLAS. Yes.

Mr. MAGUIRE. Mr. Eisenhower, if my understanding is correct, announced at the time of the withholding of those premiums that it was in the nature of a sanction against the Trujillo regime.

Senator DOUGLAS. That is right.

Mr. MAGUIRE. That it was designed to keep the money from going into the pockets of Trujillos rather than for the benefit of the people of the country.

Since it was such a controversial subject in the Dominican Republic a great many efforts were made and a great many discussions took place, including the one referred to yesterday with Mr. Moscoso.

I can only assume that Mr. Moscoso made the statements that he did at that time without knowing that simultaneously the administration was drawing up a bill which was subsequently submitted as H.R. 11730, that provided for global quotas and no premiums in the future.

I think the administration changed its position because they felt it would be inconsistent to endorse the payment of the premiums that were previously withheld and simultaneously recommend the abolition of premiums.

I do know that discussions were held with Members of Congress, with many of the members of the State Department and the Department of Agriculture, who had any part in the withholding. The discussions were designed to get for the Dominican Republic the return of that money. Who actually wrote the amendment in the House bill, I do not know. I do know that before it was written conversations were held with Congressman Cooley, and he said or I believe he said, that from a moral standpoint he thought the Dominican Republic should have the money returned. The Whole Committee of the House apparently debated and considered it, and inserted it in the bill.

Senator DOUGLAS. You say conversations were held with Congressman Cooley.

Who held the conversations? These cannot be one-sided conversations. That implies at least two parties.

Mr. MAGUIRE. I did not, Senator.

Senator CURTIS. May I ask a question?

Senator DOUGLAS. Yes, indeed.

Senator CURTIS. If this money were to be paid which is provided in the House bill, who would get it?

Mr. MAGUIRE. The Dominican Republic would have the legal right to 60 percent of the money.

Senator CURTIS. You mean the Government?

Mr. MAGUIRE. The Dominican Government.

The South Puerto Rico Sugar Co. would have a legal right to approximately 30 percent of the money.

A private Dominican company would have the right to approximately 10 percent of the money.

Senator CURTIS. Who would have a right to the 30 percent?

Mr. ORTIZ. The South Puerto Rican Sugar Co.

Mr. MAGUIRE. The South Puerto Rican Sugar Co.

Senator CURTIS. Now, who represents the South Puerto Rican Sugar Co.?

Senator DOUGLAS. Well, Mr. Debevoise, who has testified.

Senator CURTIS. Oh, yes, but I would like to ask this. Who represents the South Puerto Rican Co.?

Mr. MAGUIRE. In the United States?

Senator CURTIS. Yes.

Mr. MAGUIRE. Walter Surrey.

Mr. ORTIZ. There is a gentleman, in connection with this—

Senator CURTIS. Who represented the Dominican Republic insofar as they would share in 60 percent of it?

Mr. MAGUIRE. In terms of this amendment?

Senator CURTIS. Yes.

Mr. MAGUIRE. I think at that time they had no representative. The people in the Embassy made representations of course, but I believe they made no representations to a Member of Congress. Is that your understanding?

Mr. ORTIZ. Yes.

You see 60 percent of the sugar industry belongs to the Government. 60 percent of this money would belong to the Government.

Senator DOUGLAS. Because you have nationalized the Trujillo mills?

Mr. MAGUIRE. That is right.

Mr. ORTIZ. The government companies have a claim of around \$13.9 million, which was presented as a part of the \$22.8 million. And if it is refunded to the Dominican Republic, of course, this \$13.9 million will accrue to the benefit of the whole Dominican people.

Of the almost \$7 million, of the South Puerto Rican Co., because of the tax situation, over 50 or 56 percent of it will have to be paid in income taxes.

Immediately, half of this money that they will receive will come in the form of fiscal revenues to the Government, and for their remaining half they have made the commitment with the Government that this balance will be used for social welfare and—

Senator DOUGLAS. That is true of the South Puerto Rican Sugar Co. Is it true of the 10 percent?

Mr. ORTIZ. Oh, yes, of course. They have exactly the same commitment and being a Dominican corporation, of course, it is complete—

Senator DOUGLAS. Dr. Ortiz, do you know who represented the San Domingo Sugar Association in connection with this amendment before the House?

Mr. ORTIZ. No; we do not have any representation.

Senator DOUGLAS. You did not have any representation?

Mr. ORTIZ. We had a long time ago, last year—

Senator DOUGLAS. In other words, this just happened?

Mr. ORTIZ. Yes.

Senator CURTIS. Well, who did you have a year ago?

Mr. ORTIZ. A year ago?

Senator CURTIS. Yes.

Mr. ORTIZ. Until some time—it was July or August 1961, and I do not remember exactly—the sugar commission had a contract with a firm here in Washington, Michael Dean.

Senator DOUGLAS. Who?

Mr. ORTIZ. Michael Dean.

Senator DOUGLAS. Is he now suing you?

Mr. ORTIZ. Pardon?

Senator DOUGLAS. Is he now suing you?

Mr. ORTIZ. Well now, I have rumors. I would like to make a statement in this connection—

Senator DOUGLAS. I beg your pardon?

Mr. ORTIZ. I would like to make a statement in this connection.

Senator DOUGLAS. Yes, but first let me ask you: Is he now suing you?

Mr. ORTIZ. No; I understand that he will do it.

Senator DOUGLAS. Go ahead.

Mr. ORTIZ. But we have not seen any legal claim or anything like that. This is a statement that I would like to make in this connection.

I understand that there is being circulated among the members of this committee a memorandum setting forth an alleged claim against my Government in connection with section 18 of the House bill.

Without developing or delving into the merits of section 18 this memorandum, which I saw for the first time yesterday, develops or deals with a contingent-fee contract for the representation of the Trujillo regime before the Congress, a contract which was entered into under Trujillo and terminated shortly after the fall of the Trujillo regime.

Whether this is a valid claim or not, I suggest that the proper procedure is for the claimant to file a formal presentation with my Government, to be considered by our attorney general.

I also suggest that this procedure is preferable to having the issue considered for the first time in the legislature of another government.

I assume I need not point out that my Government will fully and fairly consider any claim properly presented to it. It cannot, any more than the Government of the United States determine the validity of any claim on hearsay statements presented to legislators of another government.

Senator DOUGLAS. Well now, just a minute; when did you say the contract between Mr. Dean and the Government was signed?

Mr. ORTIZ. When it was signed?

Senator DOUGLAS. When was it signed; yes.

Mr. ORTIZ. It was signed sometime in 1960.

Senator DOUGLAS. Sometime in 1960?

Mr. ORTIZ. Yes, and——

Senator DOUGLAS. When Trujillo was in power?

Mr. ORTIZ. Pardon?

Senator DOUGLAS. When Trujillo was in power?

Mr. ORTIZ. Yes.

Senator DOUGLAS. Was it continued by the new administration?

Mr. ORTIZ. By the present administration? No; it was canceled after the——

Senator DOUGLAS. When was it canceled?

Mr. ORTIZ. As I say, I do not remember the exact date or the exact month, but it should be around August or July of last year.

Senator DOUGLAS. 1961?

Mr. ORTIZ. 1961.

Senator DOUGLAS. How much did the contract call for?

Mr. ORTIZ. I saw the contract when I came here and I heard this rumor because some presentation had been made to our Ambassador or to a member of the Embassy, and I saw a copy of the contract.

Senator DOUGLAS. Yes?

Mr. ORTIZ. It provides, what I saw, for the payment of \$40,000 as a flat amount plus 25 cents per ton of sugar that was obtained.

Senator DOUGLAS. How much?

Mr. ORTIZ. 25 cents.

Senator DOUGLAS. 25 cents for each ton?

Mr. ORTIZ. For each ton of sugar.

Senator DOUGLAS. Under a permanent quota or under a temporary quota?

Mr. ORTIZ. Under the temporary quota, I understand.

Senator DOUGLAS. Now, the figures show that 220,723 tons were obtained in 1961 under a temporary quota.

Would that mean that it will be an additional payment of \$55,500?

Mr. ORTIZ. Something like that.

Senator DOUGLAS. Something like that?

Mr. ORTIZ. But the memorandum that was given to me represented a figure of \$136,000.

Senator DOUGLAS. \$136,000?

Mr. ORTIZ. As I say, it was given to me only—I have not yet had the opportunity of checking these figures.

Senator DOUGLAS. Mr. Maguire, you are getting \$2,000 a month?

Mr. MAGUIRE. Yes, sir; and no contingencies.

Senator DOUGLAS. Senator Curtis?

Senator CURTIS. Nothing more.

Mr. MAGUIRE. Senator there was one reference a moment ago that I think perhaps I can help clear up.

As far as this \$22.8 million is concerned, if it is returned to the Dominican Republic, all of the dollars, as such, will go to the Government of the Dominican Republic.

An agreement has been entered into with the South Puerto Rican Sugar Co., the only company that might be entitled to some of this money in the form of dollars, under the terms of which the dollars will remain with the Government.

South Puerto Rican Sugar Co. will take in lieu of dollars the peso equivalent which they will use in the Dominican Republic for social welfare or social betterment projects.

Senator CURTIS. What industries have been nationalized since the new government came in?

Mr. ORTIZ. Well, all the industries—

Senator CURTIS. All the what?

Mr. ORTIZ. All the industries that have—

Senator CURTIS. All the industries?

Mr. ORTIZ. All the industries and companies that were owned by the members of the Trujillo family. That amounts to about 45 big organizations.

Senator CURTIS. Now, do you have any plans for any further nationalization?

Mr. ORTIZ. Not at all. The assets of these 45 companies have been used to capitalize the Industrial Development Corp.—

Senator CURTIS. And have you expropriated any property of foreign people?

Mr. ORTIZ. As far as I know, absolutely not.

Senator CURTIS. Do you have plans for any or are there plans for any expropriation?

Mr. ORTIZ. Are there plans?

Senator CURTIS. Yes.

Mr. ORTIZ. Not at all.

Senator CURTIS. That is all, Mr. Chairman.

Mr. MAGUIRE. On the contrary, Senator, I think it should be pointed out that the Government is currently encouraging foreign investments in the Dominican Republic.

Senator CURTIS. As I understand it or as I understand the Alliance for Progress one of its big objectives is to prevent the spread of communism into the Western Hemisphere, and communism cannot spread without nationalization and expropriation of property.

That is the vehicle that it must have.

I hope that that is realized throughout the hemisphere.

Mr. ORTIZ. Well, even under our agrarian reform law we will have sufficient land to distribute for the next 3 or 4 years.

Senator CURTIS. That is all, Mr. Chairman.

Senator DOUGLAS. One or two points that I would like to clear up are these:

Has the American Government, or any of its agencies, placed a loan of \$25 million to the Dominican Republic?

Mr. ORTIZ. Yes, sir. There was a loan of \$25 million by AID recently.

Up to now we have signed agreements for the use of this money to the amount of about \$14 million.

Senator DOUGLAS. So that the United States cannot be charged with being stonyhearted in its attitude toward the new Government which you have.

I think there is another statement that I should make which is not directly involved in the testimony.

These congressional hearings can at times be cruel in the implications which are drawn from them. It has been developed that the attorney for the South Puerto Rico Sugar Co. is Mr. Surrey—

Mr. MAGUIRE. Walter Surrey.

Senator DOUGLAS. Walter Surrey, I mean. Excuse me.

That is Mr. Walter Surrey, who is the brother of Stanley Surrey who is the Assistant Secretary of the Treasury, and that fact has been commented on in the press and may be commented on again.

I think the record should show that the Treasury Department is supporting the administration's bill, and that in that connection Mr. Walter Surrey's brother has had no influence on the attitude of the Treasury in this matter.

My information is that Mr. Stanley Surrey has not made any effort to change the position of the Treasury.

I think this should be said as a protection to the reputation of Mr. Stanley Surrey against imputations which might be made, and I do this as an advance precaution.

I think the same thing should be done in connection with Mr. George Ball, whose law firm is representing one of these countries, and I forget exactly which one it is at the moment.

Mr. Ball is strongly supporting the position of the administration in the discontinuance of these individual quotas and the payment of premium prices.

So I hope very much that these facts may prevent what seems to me or what would seem to me unjustified implications.

Senator McCarthy.

Senator McCARTHY. I have no questions.

Senator DOUGLAS. Thank you very much.

Mr. ORTIZ. Thank you very much, Mr. Chairman.

(Mr. Ortiz submitted the following statement for the record:)

STATEMENT OF THE COMISION DE DEFENSA DEL AZUCAR Y FOMENTO DE LA CANA
OF THE DOMINICAN REPUBLIC

The Comision de Defensa del Azucar y Fomento de la Cana (usually referred to in English as the Sugar Commission) is an instrumentality of the Government of the Dominican Republic that is concerned with the production, processing, development, and marketing of sugar and sugar products. Sugar is far and away the largest single industry in the Dominican Republic and, as of today, the very life of the country depends on the stability of the industry and its ability to market the sugar crop at fair reasonable prices.

Because of changed and changing conditions in the world, the Dominican Republic has lost most of its former sugar markets to Cuba and other Communist countries and must look to the United States as its principal market in the future.

Total estimated sugar production of the Dominican Republic for 1962 is 1,150,000 tons. Of this amount approximately 480,000 tons has been sold so far this year in the U.S. market both as permanent quota sugar and as import allocations from the Cuban reserve quota. Approximately 100,000 tons will be consumed internally leaving an export surplus of 570,000 tons for the rest of this year.

For 1963 through 1966, the situation would be even more drastic under the proposed legislation. A permanent annual quota of approximately 200,000 tons would be established for the Dominican Republic plus 10 percent or 150,000 tons of the Cuban reserve if diplomatic relations with Cuba are not restored.

Because of wage increases established by the new Government of the Dominican Republic in order to raise standards of living, production costs of sugar are currently 4 cents a pound. It would be disastrous to the economy of the country to attempt to market, at current world sugar prices of 2.66 cents, the exportable surplus that would result if this legislation is adopted. Production would have to be curtailed, wages lowered, imports restricted drastically, and political unrest would undoubtedly follow.

The people of the Dominican Republic cannot understand why, at this critical moment for them, the United States would consider reducing Dominican sugar imports and fixing preferential quotas for such far away places as the Fiji Islands, Mauritius, South Africa, India, Australia, and many other remote countries that have never previously been suppliers to the U.S. market in the real sense. Neither is it possible for them to understand the proposed quotas for Western Hemisphere dependencies of European countries. Heretofore, those dependencies enjoyed preferential and protected markets at home. Today sugar purchases from Cuba and the Soviet bloc appear to have been substituted for those previously made from such dependencies.

The Dominican Republic, with the aid and support of the United States, is making progress in its economic development; has moved far toward a democratic form of government; has achieved a considerable measure of political stability; and is dealing forthrightly with its social problems that are largely the outgrowth of 31 years of despotic dictatorship.

The United States has a very special interest in taking whatever steps are possible to assure the successful establishment of a lasting democracy in the Dominican Republic. The enemies of democracy have in the past and presently are intensifying their efforts to foment unrest and bring the Dominican Republic into the Communist sphere. Other Western Hemisphere countries are anxiously watching the developing situation and the outcome will inevitably accrue to the advantage or disadvantage of the Dominican Republic, the United States and, even to some extent, to the democratic form of government, as an institution, in the Western Hemisphere.

At this moment in the troubled history of the Dominican Republic the economic stability of the country could well be the deciding factor in its political future. Sugar, to a greater extent than in any other supplying country, is the backbone of the Dominican Republic's economic life. More than half of its population is dependent on sugar for its livelihood, and more than half of its earnings from exports come from sugar and sugar products. The establishment of increased sugar quotas for the Dominican Republic, however, would in no sense be a one-way street for the United States. Except for the politically troubled period immediately past, the Dominican Republic has been a very substantial importer of goods and equipment from the United States which has always been its chief supplier. Given a further opportunity to achieve economic stability and with an assured market for a substantial part of its export sugar, the Dominican Republic will be an even more important customer for goods from the United States.

The Dominican Republic is a natural and logical supplier of sugar to the United States from the standpoint of geography; from the standpoint of maintenance of

its economic and political stability; and from the standpoint of providing an assured, dependable, and close source of supply to the United States, even in wartime.

The House bill, H.R. 12154, which is now before the Finance Committee of the Senate, provides for widespread division of the quotas for imported sugar. The Dominican Sugar Commission respectfully suggests that the foreign quota distribution be revised and for the most part confined to those Western Hemisphere countries that are the logical producers for and suppliers of most of the U.S. import requirement.

For these reasons and because the Dominican Republic is a dependable source of supply, close to the U.S. mainland, the sugar commission earnestly urges that total quotas for the Dominican Republic be increased to at least 900,000 tons per year.

The sugar commission also urgently requests the adoption by the Senate of the House-approved provision for the return of the \$22.8 million imposed by the executive branch of the U.S. Government as entry fees on nonquota sugar purchases from the Dominican Republic in late 1960 and early 1961. The fees were imposed entirely for the purpose of preventing the Trujillo regime from getting the benefit of the U.S. premium price. The Trujillo regime has been overthrown and the people of the Dominican Republic will be the real beneficiaries of the money since, under an agreement between the Government and private sugar producers, the dollars authorized to be returned would become the property of the Dominican Republic and be available to stabilize their foreign exchange position. The people of the Dominican Republic are aware that all other countries that supplied nonquota sugar at that time received the quota premium price and they believe strongly that with the disappearance of the reason for imposition of the fee their country should be treated in the same manner other supplying countries were treated. The return of the \$22.8 million has very great importance to both the economic and political stability of the country.

The Sugar Commission of the Dominican Republic hopes most sincerely that the Senate of the United States will favorably consider these recommendations and this appeal.

Submitted on behalf of:

COMISION DE DEFENSA DEL AZUCAR Y FOMENTO
DE LA CANA OF THE DOMINICAN REPUBLIC,
By PHILIP F. MAGUIRE, *Counsel, Washington, D.C.*

JUNE 22, 1962.

Senator DOUGLAS. The next witness is Mr. Robert C. Barnard, Queensland Sugar Board and the Australian sugar industry.

STATEMENT OF ROBERT C. BARNARD, ON BEHALF OF THE QUEENSLAND SUGAR BOARD AND AUSTRALIAN SUGAR INDUSTRY; ACCOMPANIED BY P. T. WHEEN, ASSISTANT GENERAL MANAGER, THE COLONIAL SUGAR REFINING CO., LTD.

Mr. BARNARD. Mr. Chairman, my name is Robert C. Barnard.

Mr. Chairman, I appear on behalf of the Queensland Sugar Board and the Australian sugar industry, which includes the Australian Cane Growers Association and the Australian Sugar Producers Association.

I have a prepared statement, Mr. Chairman, which I should like, with your permission, to submit for the record, and I would like to summarize the statement in the interest of conserving time.

I will submit that to the reporter.

(The statement of Mr. Barnard together with attachments, follows:)

STATEMENT OF ROBERT C. BARNARD ON BEHALF OF THE AUSTRALIAN SUGAR INDUSTRY, ON H.R. 12154

Mr. Chairman and members of the committee, I am grateful for the opportunity to appear before this committee on behalf of the Queensland Sugar Board and the Australian sugar industry, including the Australian Cane Growers Association and the Australian Sugar Producers Association.

We are pleased that the House of Representatives has considered Australia favorably to furnish sugar regularly to the United States and are hopeful that this committee and the Senate will also conclude that Australia should be considered as a permanent supplier.

The basis for our hopes that the Senate will consider Australia as a permanent supplier to the U.S. market is twofold: first, the growing trade that is now bringing these two democracies closer economically and, second, the close ties that have joined the United States and Australia as allies. This growing trade and the historic ties make it of benefit both to the United States as well as to Australia that Australia become a permanent supplier of the U.S. market.

1. The economic ties between the countries have become greater because of increasing trade with the United States and American investment in Australia.

Today America is the second largest exporter to Australia. The annexed chart shows that Australia has been turning more and more to the United States for its imports. Between 1955 and 1962 the U.S. share of the Australian import market doubled—from 10 to 20 percent.

The significance of this growth is shown by the fact that the value of U.S. exports to Australia more than doubled between 1955 and 1962. It rose from \$200 million to \$430 million. (The details appear on the chart annexed to this statement.)

In recent years, the United States has had an increasingly favorable balance of trade and of payments with Australia.

In 1961, the U.S. exports to Australia were greater by \$135 million than imports from Australia.

The balance of payments favors the United States even more. In fiscal 1961 the U.S. favorable payments balance exceeded \$500 million.

The advantage of the United States in trade and overall accounts with Australia is illustrated in the annexed chart. This advantage is emphasized by the fact that the U.S. exports to Australia represent export sales of U.S. goods in cash and for dollars.

Australia must depend on its own exports to maintain and increase its purchases from the United States. A sugar quota would help both the United States and Australia by promoting this growing trade.

2. The United States and Australia have a long record of partnership. They were Allies in World War I and in World War II. Since then they have grown closer through their membership in ANZUS, the mutual security treaty that unites the United States, Australia, and New Zealand, as well as through SEATO (the Southeast Asia Treaty Organization).

It would be a serious disappointment if the Congress were to adopt a principle, either for the setting of quotas or the filling of the reserved Cuban quota, that would ignore the trade and defense relations with Australia by confining the new allotments to the Western Hemisphere. We are hopeful that the Senate will agree that mere accident of geography should not be the basis for excluding a major exporter of sugar such as Australia from the U.S. market. To do so would be to exclude a historic ally of the United States and a close partner today in mutual defense and a significant and growing customer for U.S. exports.

In terms of pure geography, Australia's sugar is 1,500 miles closer than that of the Philippines. As for the danger of wartime transport, all offshore suppliers that must ship any distance on the open sea would face the same problem, regardless of their relative locations.

A sugar quota will tie the people of Australia more closely to the United States. It would benefit directly the 9,500 individual farmers who grow Australia's sugarcane and, through cooperatives, own half of its sugar mills. In all, some 350,000 Australians depend directly or indirectly on the sugar industry for their livelihood. The opportunity to supply sugar to the United States in 1961 was widely publicized; the opportunity to supply the United States in the future will be warmly received.

Australia's farmers will benefit directly from sales in the United States. Australia's cane farms average 60 acres each. These farmers operate under an orderly marketing program but they receive no subsidy. Their incomes derive directly from the proceeds of sugar sales in both the domestic and export markets. In fact, 70 percent of income from raw sugar sales goes to the farmer.

Australia's sugar industry offers the United States the advantages of a stable, reliable supplier which is one of the world's most efficient. Its production this year will exceed 1½ million tons, an amount comparable to that of the Philippines. Its export facilities are fully mechanized for speedy shipment.

Australia hopes to be able to supply the U.S. market as a permanent quota supplier and, in addition, to supply, under reallocation, a portion of the sugar set

aside for Cuba. We are delighted that the House has decided that it is fair and reasonable, in the light of the facts, to grant Australia 50,000 tons of permanent quota. We are also pleased that the House authorized a portion of the temporary reallocation of the Cuban quota to be supplied by Australia.

It is well within Australia's capacity to supply the quantity of raw sugar to the United States authorized in H.R. 12154. It is available from existing farms and mills. This quantity for the U.S. market is in addition to that required for Australian domestic consumption and exports to established oversea markets.

I wish at this point to make Australia's position quite clear on this matter of Cuban reallocations. When Cuba becomes democratic and resumes friendly relations with the United States, then the Australian industry will be prepared to surrender its short-term reallocation of the Cuban quota without claiming any vested right whatsoever in such temporary reallocations. This is the position which the Australian industry has taken publicly ever since the Cuban supply was cut off in early 1960. I am glad to be able to reconfirm today the policy stated at that time.

We have not proposed a specific figure as a fair permanent quota for Australia. We have full confidence in the Congress' decision as to what would be a fair and reasonable quota for Australia.

We are confident that in the light of the facts we have presented, the Senate will conclude that it is beneficial both for the United States and for Australia that Australia be granted the privilege of supplying a portion of America's sugar needs on a regular basis.

May I thank the chairman and the members of this committee for permitting me to present Australia's request.

SUMMARY OF POINTS ON BEHALF OF AUSTRALIAN SUGAR INDUSTRY

1. The opportunity to supply sugar to the United States in 1961 made possible by Congress was widely publicized and warmly received by the Australian industry. Australia is hopeful that Congress will consider it favorably to furnish sugar to the United States regularly and at a fair price.

2. Australia's hopes are strengthened by its growing ties with the United States. These make it of benefit both for the United States and Australia that Australia should be given the privilege of supplying sugar to the United States on a permanent basis.

3. The United States and Australia, which are historic allies, have joined as allies in ANZUS and SEATO for the defense of the Pacific.

4. Today America is the second largest exporter to Australia. Between 1955 and 1962 the U.S. share of the Australian import market doubled from 10 to 20 percent and the value of U.S. exports to Australia more than doubled from \$200 to \$430 million. See charts 1 and 2.

5. The United States has a favorable balance of payments and trade with Australia. The U.S. payments surplus with Australia in fiscal 1961 was half a billion dollars. See chart 3.

6. Australia was the second largest customer of the United States among the full duty countries in 1961. See chart 4.

7. A U.S. sugar quota would benefit directly Australia's 9,500 individual cane farmers and the 350,000 Australians who depend directly or indirectly on the sugar industry.

8. Australia's cane farms average 60 acres. The industry receives no subsidy. In fact, 70 percent of income from raw sugar sales goes to the farmer.

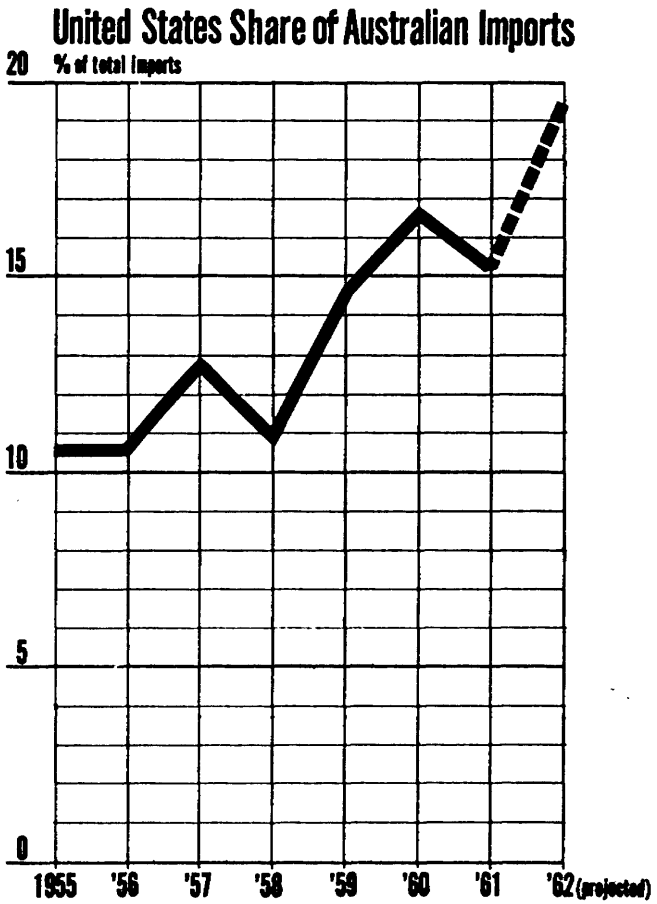
9. Australia's estimated raw sugar production in 1962 is 1½ million tons, comparable with the Philippines. Its export facilities are fully mechanized for speedy shipment.

10. Australia has available more than 300,000 short tons of raw sugar each year for the United States. This is additional to the needs of established markets and can be produced without expanding existing acreage or mill facilities.

11. Australia seeks a permanent quota and a share in reallocations of the Cuban quota. The Australian industry will claim no vested right in the reallocations when Cuba becomes democratic.

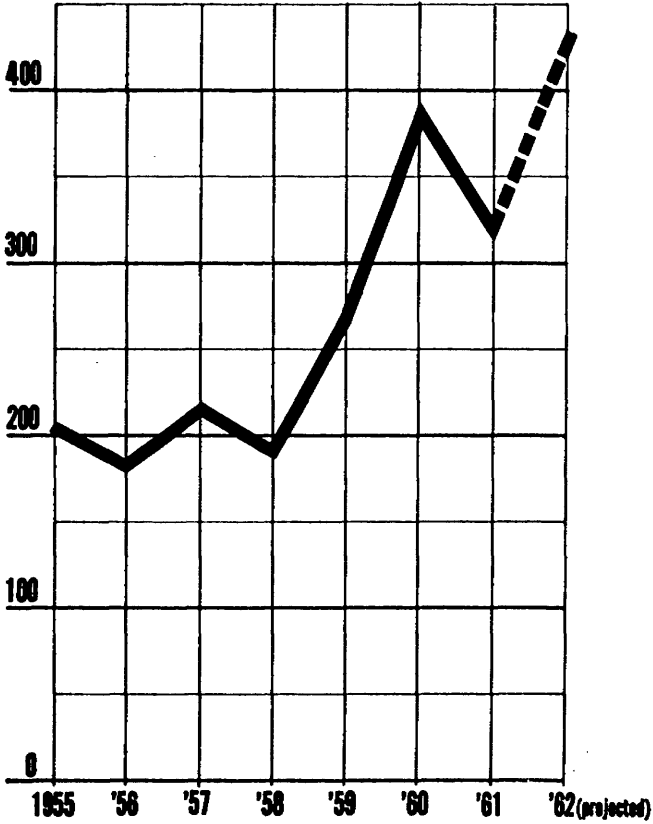
12. It would be a serious disappointment if Congress were to confine to the Western Hemisphere new quotas or the filling of the reserved Cuban quota. Mere geography should not exclude Australia. Australia's sugar is 1,500 miles closer than the Philippines to U.S. east coast markets.

13. Australia has confidence that the Congress will recognize a historic U.S. ally and a significant and growing customer for U.S. exports by permitting Australia to supply sugar regularly to the United States.

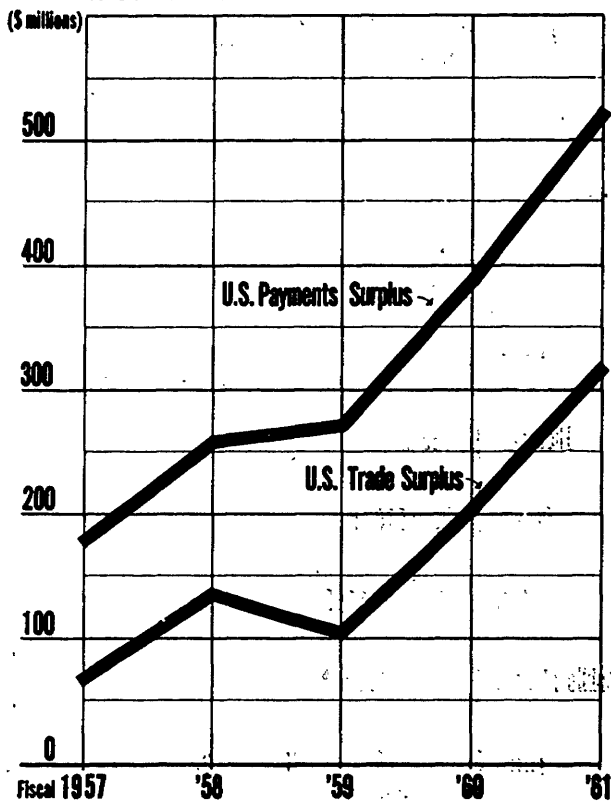


U.S. Exports to Australia

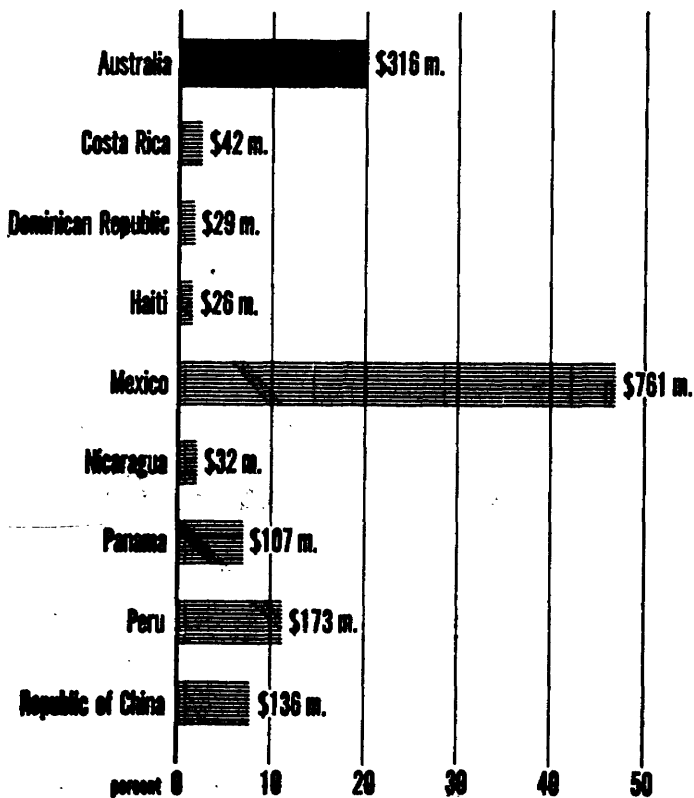
millions of dollars



United States Surplus of Accounts with Australia



Purchases from the United States 1961



Source: U.S. Census FT 420

Mr. BARNARD. May I say at the outset that Australia is grateful for the fact that the United States has made it possible for Australia to supply sugar to the United States in 1961.

This fact was widely publicized and warmly received by the Australian industry, and Australia is hopeful that the Congress will consider it favorably to furnishing sugar to the United States regularly and at a fair price.

Australia presents its views to this committee in the belief that because of the growing ties between Australia and the United States, it is of mutual benefit to both countries—it is of benefit to the United States and to Australia that Australia should be given the privilege of supplying sugar to the United States on a permanent basis.

First, may I comment on the political and military ties?

The United States and Australia have long been historical allies and are now joined together as allies in ANZUS and SEATO for the defense of the Pacific.

Secondly, may I comment on the trade and business existing between the two nations? Today America is the second largest exporter to Australia. Between 1955 and 1962 the U.S. share of the Australian import market doubled from 10 to 20 percent, and the value of U.S. exports to Australia more than doubled from \$200 to \$430 million.

I have presented a brief summary of the points and attached to the summary are charts.

The first two charts illustrate the extent to which—or the growing extent to which Australia is turning to the United States for its imports.

The United States has a favorable balance of payments and trade with Australia.

U.S. payments surplus with Australia in 1961 was \$0.5 billion.

The third chart, Mr. Chairman, shows the growing trade surplus in favor of the United States and the growing balance-of-payments surplus in favor of the United States. In 1961 it reached \$0.5 billion.

Australia was the second largest customer of the United States among the full duty countries in 1961. This is illustrated on the fourth chart.

The U.S. sugarcane quota would benefit Australia's 9,500 individual cane farmers and the 350,000 Australians who depend directly or indirectly on the sugar industry for their livelihood.

Australia's industry is not an industry of large plantations. The 10 largest farms or the 10 largest growers represent about 2½ percent of the total cane production in Australia.

The average size of the cane farm in Australia is 60 acres. The industry receives no subsidy.

The income of the farmers comes as a portion of the proceeds from the sale of raw sugar, and approximately 70 percent of the income from the raw sugar sales goes to the farmer.

We believe that this may be one of the highest or perhaps the highest return to the farmers on sales anywhere in the sugar business.

Australia's estimated sugar production in 1962 is 1½ million short tons. This is comparable to the production of the Philippines.

It has fully mechanized export facilities and is able to turn ships around quickly for speedy shipment.

Australia has available more than 300,000 short tons of raw sugar each year, beginning this year, for the U.S. market. This is additional to the sugar that is needed for the established markets, and can be produced in Australia without expanding any farm or mill facilities. It can be produced from existing facilities.

Australia seeks a permanent quota and a share in the reallocation of the Cuban quota.

I should like to make Australia's position completely clear on this matter of the reallocation of the Cuban quota. In 1960 the Australian industry stated, and I am told that it has been stated officially, that it would claim no vested right whatsoever in temporary reallocations when Cuba becomes democratic.

This position has been announced publicly, and I am glad to reaffirm it here today.

May I say, finally, that it would be a serious disappointment if Congress were to confine to the Western Hemisphere new quotas or the filling of the reserved Cuban quota.

We feel that mere geography should not exclude Australia from this market. Australian sugar is 1,500 miles closer than the Philippines to the U.S. eastern coast ports.

We have confidence that Congress will recognize Australia as a historic U.S. ally and a significant and growing customer for U.S. exports, and that the law adopted by the Congress will permit Australia to sell sugar regularly to the United States.

Thank you very much, Mr. Chairman and members of the committee.

Senator DOUGLAS. Thank you, Mr. Barnard.

The figures which I have indicate that previously Australia has had no permanent quota.

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. That in 1961 it was given a temporary quota of 90,000 tons.

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. That the House bill provides a permanent quota of 50,000 tons?

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. And it assigns a temporary quota of 150,000 tons.

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. For a total of 200,000 tons.

Mr. BARNARD. Yes, sir.

Senator DOUGLAS. This is a payment at the world price of \$56 a ton, and an annual subsidy in the amount of \$11,200,000. Is that correct?

Mr. BARNARD. On the basis of the calculation you are making, I assume that is correct, sir, but may I make a comment on it?

Senator DOUGLAS. Then I just want to clarify one more process of the multiplication.

For 5 years this would be a total subsidy of \$56 million?

Mr. BARNARD. May I make a comment on that, sir?

Senator DOUGLAS. Certainly.

Mr. BARNARD. You have referred repeatedly in these hearings to the world price for sugar.

I am sure that the Senator is aware of the fact that the world price is an uneconomic price. It is below the price of production in every producing country in the world.

If the United States now is to adopt the policy of buying sugar at distressed prices it seems to me that the Congress should consider that policy seriously in light of the other policies which this Congress has supported of endeavoring to maintain and stabilize commodity markets in the world and to arrive at fair and reasonable prices for producers of commodities throughout the world.

Obviously, this a matter for the Congress.

We urge, before you adopt a policy of this kind, you consider that it is analogous, at least, to importing below—well, below-cost labor—

Senator DOUGLAS. Well, I would like to point out that Congress has not yet committed itself to an international cartel in the field of coffee or tea.

I hope we have not in tin, although it may be that some of the actions of our administrative agencies have been in that direction.

So that sugar is almost unique in this respect.

Mr. BARNARD. There is an International Sugar Agreement which, I am sure, the Senator is aware of, and may I say in that respect that the world price, the so-called world price—which is now the distressed price for sugar, is below the price provided in the International Sugar Agreement to which the United States is a signatory.

I believe all of these elements should go into the consideration of the Congress before it decides that this is a reasonable policy on which it chooses to trade with its friends.

Senator DOUGLAS. Is Australia a member of the Commonwealth Sugar Agreement?

Mr. BARNARD. Yes, sir.

Senator DOUGLAS. Where does Australian sugar go now?

Mr. BARNARD. It is sold to the United Kingdom, New Zealand, to Canada, and then it is sold in other markets in the world.

Senator DOUGLAS. What price does Australia realize for sugar sold under the Commonwealth Sugar Agreement?

Mr. BARNARD. We submitted figures in the House of Representatives which indicated that the average net return f.o.b. Australia, which is the only way that makes sense to our producers, is \$75 to \$85 a ton.

Senator DOUGLAS. Four cents a pound?

Mr. BARNARD. This is a composite price, sir.

Senator DOUGLAS. You are asking that we pay 6½ cents a pound?

Mr. BARNARD. We are not asking that you pay anything, sir—

Senator DOUGLAS. Well—

Mr. BARNARD. We are—

Senator DOUGLAS. At American prices that would mean—

Mr. BARNARD. We are asking for the opportunity to sell on this market.

Senator DOUGLAS. Yes, at higher prices than you sell to the Commonwealth.

Is that not true?

Mr. BARNARD. Senator, the price which the United Kingdom pays and which a great many countries in Europe pay for their sugar, and which they have decided is a fair and reasonable price for the sugar, is substantially the same as the price which the United States pays.

Senator DOUGLAS. Well now, just a minute. The price we would pay would be 6½ minus half a cent tariff, minus half a cent freight.

Do you say that you are getting 5½ cents for the sugar which you sell to the United Kingdom?

Mr. BARNARD. In terms of net return—

Senator DOUGLAS. No, I am speaking in terms of market price.

Do you say that you get the same price for sugar sold to the United Kingdom as you would get in the American market?

Mr. BARNARD. It is substantially the same, yes, sir.

Senator DOUGLAS. Well now, the term "substantially" is an overcoat.

It covers a multitude of sins—

Mr. BARNARD. Sugar is sold on a complicated formula which includes partly a negotiated price and partly another formula, sir.

You do not come out with exactly the same figure. The amount is substantially the same and the net return to Australian growers is substantially the same, f.o.b. Australian ports.

And this is true of other countries in the world. I urge this on the Senator, to suggest that the U.S. price—the conclusion which the U.S. Government has made as to what is a reasonable and fair price for paying for sugar, is not one that only the United States has made, but other nations have also concluded that this price level is reasonable and a fair figure to fix, to provide an adequate return and an adequate price for the people.

Senator DOUGLAS. Well, we have had testimony or we had testimony yesterday, and it may have been mistaken testimony, that the British price was less than the American price.

I think it was in connection with the Fiji Islands.

Mr. BARNARD. I believe it was Mauritius.

Senator DOUGLAS. Oh, yes.

Mr. BARNARD. Senator, we have made the calculations and in terms of both the price realized in the United Kingdom and the net return to the Australian growers, f.o.b. Australian ports, give or take a shilling, they come out even.

Senator McCARTHY. Will you yield, Mr. Chairman?

Senator DOUGLAS. Yes, of course.

Senator McCARTHY. Will you explain why the differential in the price is not reflected in the return to the Australian sugar industry?

What happened in between?

Mr. BARNARD. It is reflected in the return, sir. I said it is the same both ways.

Senator McCARTHY. Well, what happens to the cent and a half?

What advantage do you get from dealing with the British that would offset the cent and a half difference in the price? There must be something in exchange.

Is there an indirect subsidy or—

Mr. BARNARD. Sir, when I refer to the United Kingdom price there are other sugars sold in other ways which realize different prices in different markets, and I was referring to the United Kingdom price to illustrate the point that the United States is not the only nation in the world which has concluded that this price level is a fair and reasonable price level to pay for sugar in the light of manufacturing, producing, and other costs that are reasonably incurred by the farmers.

This is an economic price.

Senator McCARTHY. Well, I understand, but you said the return to the Australian sugar industry is essentially the same, whether you get 5½ cents from us or 4 cents from the British.

Mr. BARNARD. No, we do not get 4 cents from the British, sir. The United Kingdom price is higher.

Senator DOUGLAS. Well, what is it?

Senator McCARTHY. What is it?

Mr. BARNARD. It is a composite price. It comes out the same as the U.S. price.

Senator McCARTHY. What goes into the composite price?

Mr. BARNARD. Well, it is purchased under two kinds of formulas, sir, and the net result of the composite price is the same price as the United States.

Senator McCARTHY. Well, what are the components of the composite price?

Mr. BARNARD. Part of it is sold at one price and part at another.

Senator McCARTHY. Well, what price?

Mr. BARNARD. It is a negotiated price for part of the sugar that—

Senator McCARTHY. Well, how much is sold?

What is the negotiation? How much do you get?

Do you get 10 cents a pound for 10,000 tons or how do you sell it?

Mr. BARNARD. No, sir. The price is done on a negotiated basis.

May I ask a representative here to give me the precise figure?

Senator DOUGLAS. Yes.

Mr. BARNARD. This is Mr. Wheen.

Senator DOUGLAS. Very glad to welcome you, sir.

Would you explain?

Mr. WHEEN. Yes; with pleasure.

Mr. Chairman, as far as the United Kingdom is concerned, under the Commonwealth Sugar Agreement, there is a provision for what we call a negotiated price.

This is a price with the United Kingdom, the Ministry of Food, agrees to pay suppliers to that market under this agreement. The price is worked out by an agreed formula.

The formula is based on the cost established, a substantiated cost of production, in the various countries of the Commonwealth that supply the United Kingdom.

Senator DOUGLAS. In other words, it varies from country to country?

Mr. WHEEN. It is a uniform price, and the reason that it is a uniform price is it is an average price, that is to say, based on the average cost of production.

Senator DOUGLAS. Excuse me, but perhaps you should follow this up.

Senator McCARTHY. No, go ahead.

Senator DOUGLAS. The average is taken from countries such as the British West Indies, and the Fiji Islands—

Mr. WHEEN. Australia—

Senator DOUGLAS (continuing). And Australia?

Mr. WHEEN. And there was South Africa until recently.

Senator DOUGLAS. Well, what do you get in England?

Mr. WHEEN. Yes. This price provides for—if I can just make this point before answering your question directly, sir—

Senator DOUGLAS. Yes.

Mr. WHEEN (continuing). This price is made up of an established average cost of production plus a margin, a margin for depreciation on equipment in the mills and the fields plus a profit margin.

The total price is then declared as agreed, and this is the results of the formula. It gives the price at an annual review.

The current price is sterling £45, 15s. and 3d. per long ton tel quel. "Tel quel" might sound technical but what it means is this, compared with the expression of the U.S. price in terms of the current U.S. Sugar Act, which is expressed in short tons, 96° polarization.

The Commonwealth price is expressed as so much per long ton tel quel, that is, "as it is" whether it is 98.5 polarization or any other polarization.

Now, this price of sterling £45 15s. 3d. per long ton is a c.i.f. price, but it is not the c.i.f. price in normal commercial terms, because the freight element in that price is the prewar freight rate, unrelated to the existing current level of freight rates.

This is a matter of convenience and not of shenanigans.

Senator McCARTHY. I think the British currency is fine, but what does that figure out in dollars, in dollars per short ton?

Mr. WHEEN. Well, sir, it is a matter of arithmetical calculation, of multiplying 45.75 or thereabouts by 2.8.

I am not much good at arithmetic, but that will give the answer.

Perhaps the chairman can help us.

Senator CURTIS. While you are figuring that out I would like to ask Mr. Barnard something, if I may, Mr. Chairman.

Senator DOUGLAS. Surely.

Senator CURTIS. Now, with the exception of the Communist world almost 90 percent of the sugar moves in some sort of sugar program.

Is that not right?

Mr. BARNARD. Yes, sir.

Senator CURTIS. There is no world price other than a dumping price for that excess?

Mr. BARNARD. I appreciate your bringing that point out, Senator Curtis.

I think that is a very significant fact to be borne in mind by the committee.

Senator CURTIS. And I think it is quite misleading to some of our people and some of our consumers here because the sugar business in the world just is not carried on under a free world price, is it?

Mr. BARNARD. I appreciate your emphasizing that, Senator. I think this is completely correct.

The sugar business is not carried on at that price. That is the little tag end, distressed market.

Senator CURTIS. Well, now, is it not true that the United Kingdom is buying sugar from the Communist bloc now?

Mr. BARNARD. To my knowledge, no.

Senator CURTIS. They are not buying it from Poland?

Mr. BARNARD. To my knowledge, no, sir. I do not know of any, Senator.

Senator CURTIS. Well, these various parts of the Commonwealth are not selling to the United Kingdom as much as they used to, are they?

Mr. BARNARD. Well, the United Kingdom has lost part of its market, because the United Kingdom was actually a refining nation for

some of the sugar it imported, and it reexported white refined sugar and, as it has been brought out earlier, it has lost some of its white refined market to sugar which is coming from the Communist bloc nations.

Senator CURTIS. That is being handled by United Kingdom interests, is it not?

Mr. BARNARD. Not to my knowledge, sir.

Senator CURTIS. That is my information. I may be mistaken but I heard that to be true.

Mr. BARNARD. Your information may be better than mine, sir. I do not know about that.

Mr. WHEEN. Can I answer your question?

Senator CURTIS. Yes.

Mr. WHEEN. I think what you are referring to here is a particular type of trade in the United Kingdom where sugar comes into the United Kingdom and is reexported, for example:

The United Kingdom used to buy substantial quantities of San Domingo sugar, refine it in the United Kingdom, and sell it in various countries in the world—in southeast Asia and the Middle East, and that may be the example. Two things have been happening recently. Where the Soviet bloc has been expanding their trade, throughout southeast Asia and through the Middle East and capturing a market for export sugar which was formerly the United Kingdom's.

Now, in addition, the United Kingdom is, in effect, an open market as there are no quotas in terms of importing sugar into the country; recently there has been a lot of sugar coming from the continent, French, Belgian, and sugar from Holland, and you have it coming in secondhand rather than direct, and this has reached a volume of something between 100,000 and 200,000 tons a year.

In consequence of this the Board of Trade has decided that a limit will be placed on the amount of sugar coming into the country from those sources, that is, France, Belgium, and Eastern European countries.

Senator CURTIS. By "Eastern European countries" you mean Communist countries?

Mr. WHEEN. Yes; I do.

Senator CURTIS. And whether the sugar is or is not actually in the United Kingdom, the United Kingdom has been getting sugar from Communist countries, has it not?

Mr. WHEEN. I cannot speak for the United Kingdom Government, sir, but it is my firm impression that sugars of Eastern European origin have been coming into the United Kingdom.

Senator CURTIS. Are you selling as much Australian sugar in the United Kingdom now as you used to?

Mr. BARNARD. Yes.

Senator CURTIS. Are all the other parts of the Commonwealth?

Mr. BARNARD. Yes.

Senator CURTIS. When did you sell your first sugar into the United States?

Mr. BARNARD. The first sugar sold in the United States was last year, sir, 1961.

I believe some sugar was sold to the Armed Forces during the war, but the first sugar sold in the United States for the U.S. market was 1961.

Senator CURTIS. Now, you say that you have available 300,000 tons.

Where have you been selling that?

Mr. BARNARD. This is on the assumption that we harvest all of the cane which is presently in the field. Australia has not harvested all of her cane in the past.

If we harvested all of the cane this year we would have 300,000 or in excess of 300,000 tons available for this market.

Senator CURTIS. That is all, Mr. Chairman.

Mr. WHEEN. Could I now deal with the question that you posed, sir, on the value?

Senator CURTIS. Yes, please.

Mr. WHEEN. With the help of someone else, and I have not checked the figures, but I do have these figures here, sterling 45 pounds, 15 shillings, and 3 pence is equivalent, in round figures, to \$128 per long ton, which is the equivalent to, per short ton tel quel \$114.

Senator CURTIS. How much is that a pound?

Mr. BARNARD. 5½ cents a pound.

Senator DOUGLAS. Well, to be precise, 5.7 cents a pound.

Senator CURTIS. And what do you get when you are selling in the United States?

Mr. BARNARD. The same, sir. Well, it is the price less the——

Senator DOUGLAS. Just a minute. Is this the only price you get?

Do you not also sell to Commonwealth countries at the world price?

Mr. WHEEN. No, sir. In giving the price of sterling 45 pounds, 15 shillings, and 3 pence, I am referring to what we call a negotiated price.

Australia has a quota in the United Kingdom of 313,500 tons per annum.

Senator DOUGLAS. Yes?

Mr. WHEEN. At the negotiated price. That price currently is sterling 45 pounds, 15 shillings, and 3 pence.

Senator DOUGLAS. Now, then, is that all the sugar that you sell?

Mr. WHEEN. To the United Kingdom, within a few thousand tons, that is correct.

Senator DOUGLAS. Yes, but what about the other Commonwealth countries?

Mr. WHEEN. Yes. We sell to Canada and to New Zealand.

Senator DOUGLAS. And what price do you sell to them at?

Mr. WHEEN. We sell basis the world price, because there is preference in Canada and the price sold to New Zealand at times——

Senator DOUGLAS. In other words, you sell at world price in Canada and New Zealand?

Mr. WHEEN. Not at world price, sir. This is basis world price.

Senator DOUGLAS. What is the difference between world price and basis world price?

Mr. WHEEN. Well, sir, let me explain.

We would offer to Canada on the basis of the world price, that is to say, we would make an offer to them of a cargo, for example, if the world price is 2.70, it would be something like 2.70, plus additional freight to Canada——

Senator DOUGLAS. How much additional?

Mr. WHEEN. This is a marketing operation which varies from day to day, depending on competition.

Senator DOUGLAS. How much do you get on sales to Canada?

Mr. WHEEN. Sir, when we speak of a world price, please believe me, that that is merely a price which is fixed. It is not real—

Senator DOUGLAS. We are trying to get at how much is attached to the price.

How are you getting—how much are you getting now?

Mr. WHEEN. I think if I put it this way you will understand it: That in respect to Canada there is a preference for British sugar, British Commonwealth origin sugar, entering Canada.

That preference is the equivalent of \$1 per hundred pounds.

Senator DOUGLAS. One cent a pound or \$20 a ton.

Well, now, what does this mean? What do you get? I will not say "what will you get," but what do you get per pound on the sugar sold to Canada?

Is this 2.7 plus 1 cent or 3.7 cents?

Mr. WHEEN. That is correct, sir. That is close enough.

Senator DOUGLAS. Well, now, at last we are getting it. You are asking the United States to pay you 6.5 minus 1 or 5.5.

Senator CURTIS. That is what United Kingdom pays; is it not?

Mr. WHEEN. Yes, sir.

Mr. BARNARD. Senator, I repeat what I have said before: We are not asking that you pay that amount. We are asking that you pay whatever the United States deems is fair and reasonable.

Senator DOUGLAS. I understand.

Senator McCARTHY. We want to be as fair and reasonable as the United Kingdom.

Senator DOUGLAS. Or at least Canada.

Senator McCARTHY. How many thousand tons do you sell? You sell 300,000 at preferred prices in England.

How many thousands of tons do you sell, in addition to that, at the preferred but not the most preferred price?

Mr. BARNARD. 160,000 tons, sir.

Senator McCARTHY. In the Commonwealth?

Mr. BARNARD. Yes.

Senator DOUGLAS. In the Commonwealth or Canada?

Mr. BARNARD. The Commonwealth.

Senator McCARTHY. How much, in addition to that, do you sell in the world market in other areas of the world?

Mr. BARNARD. It is approximately 150,000 tons, Senator.

Senator McCARTHY. In addition?

Mr. BARNARD. Yes.

Senator DOUGLAS. And what do you sell for in the world market?

Mr. BARNARD. World price.

Senator DOUGLAS. World price?

Senator McCARTHY. Where does this go, now?

Mr. BARNARD. To a wide variety of consuming nations, Senator.

Senator McCARTHY. Well, which ones are they? European? Continental?

Mr. BARNARD. Japan, Hong Kong, Malaya, and there are other purchasers, too, sir.

Senator McCARTHY. Tell me why would you have an excess capacity of 300,000 tons when supposedly you have been selling almost two-thirds of your sugar at a loss?

Mr. BARNARD. The production of cane has improved on the existing farms. It has improved very substantially over the years, sir.

And there is cane now in the fields which will not be harvested because there is no market for it, and the cane will simply be left in the fields.

And if that cane is harvested, 300,000 tons will be available or over 300,000 tons will be available for the U.S. market.

Senator McCARTHY. But you have been selling 150,000 tons in an unprotected market which every witness we have heard, I think, has said is a loss market.

Mr. BARNARD. That is correct, sir.

Senator McCARTHY. And you tried to make up for that in the sale of 300,000 in England and 160,000 in the Commonwealth?

Mr. BARNARD. That is correct, sir.

Senator McCARTHY. That is strange economics.

Mr. BARNARD. Up until the time that the International Sugar Agreement was destroyed by Cuba the world market price was not as disorderly as it is now, sir.

And you do not turn sugar production on and off, depending on a fluctuation in price. It takes time for these things to reflect themselves on the farms.

Obviously, there is hope that the world price will improve. There is no assurance that it will.

There is certainly hope that it will improve up to the cost of production, and it is for this reason that we have urged to you that this committee should consider seriously, before it adopts a law in which the United States says that it will purchase commodities below production costs, in all of the producing countries of the world—

Senator McCARTHY. Well, I think we have a living example that you do not get reduced production by reducing prices.

We can make this application to the domestic agriculture, and if we do we might get the House of Representatives to change their point of view.

Thank you. I have no further questions.

Senator CURTIS. No further questions.

Senator DOUGLAS. Well, I would like to make a point, if I may.

In effect, you are asking us to pay you a higher price for sugar than you collect from your fellow Commonwealth country, Canada?

Mr. BARNARD. At this moment, sir, if we sold to the United States at the present domestic price it would be at a higher price; yes, sir.

Senator DOUGLAS. Well, now, do you think the United States should assume a greater burden to aid Australia than a member of the British Commonwealth assumes?

Mr. BARNARD. It is not a matter of aiding Australia; I think it is a matter of mutual benefit to both nations.

Senator DOUGLAS. Well, why do you not get Canada to do this?

Why should we pay a higher price for your sugar than your sister Commonwealth?

Mr. BARNARD. I think this is a matter of negotiation and determination by the governments as to what is fair and reasonable in light of all of the circumstances.

Senator DOUGLAS. Well, if I may say so, that is simply verbiage to conceal any justification.

Mr. BARNARD. Well, Senator, if you feel that that is a fair price, I would urge that the committee adopt it.

Senator DOUGLAS. Adopt what?

Mr. BARNARD. The Canadian price. At least, we are assured that that is a price that is closer to the production cost.

Senator DOUGLAS. Let me ask you this: Is Malaya in the British Commonwealth?

Mr. WHEEN. In a sense; yes.

Senator DOUGLAS. At what price do you sell to Malaya?

Mr. BARNARD. The world price.

Senator DOUGLAS. So you have three prices inside the British Commonwealth?

Mr. BARNARD. Oh, I am sorry. I made a mistake, sir.

We do not sell it at that. It was at a preference price there, too.

Senator DOUGLAS. Is it the same as the Canadian price?

Mr. WHEEN. No, different.

Senator DOUGLAS. Is it lower than the Canadian price?

Mr. WHEEN. Yes, sir, but these things are not as simple as this, and I feel sure you understand.

Senator DOUGLAS. In other words, you have three prices within the British Commonwealth, the price to the United Kingdom, a price to Canada, and a price to Malaya.

Are there any other prices inside the Commonwealth?

Mr. BARNARD. This is not a matter that is all negotiated at single negotiations, Senator.

Senator DOUGLAS. I understand.

Mr. BARNARD. These are prices that have a wide range of reasons for them.

Senator DOUGLAS. I understand, and then you are negotiating separately with us?

Mr. BARNARD. Well, I do not regard this as a negotiation, but if you choose to, I will.

Senator DOUGLAS. Well, you are appearing—

Mr. BARNARD. That is correct, sir. We think that there are facts which we hope you will consider.

Senator DOUGLAS. That is why I say it is a negotiation.

Mr. BARNARD. We are not negotiating with you on price, sir. If you fix the price that is the price it will be.

Senator DOUGLAS. Then you would be willing to sell to us at world price?

Mr. BARNARD. We want to come into the market—

Senator DOUGLAS. And you would gladly accept world price?

Mr. BARNARD. Gladly accept? I do not know that anyone accepts a price below production costs gladly.

Senator DOUGLAS. Would you accept world price?

Mr. BARNARD. I beg your pardon?

Senator DOUGLAS. Strike out "gladly" and let the question remain: Would you accept world price?

Mr. BARNARD. I do not think you can answer that now, sir.

Senator DOUGLAS. Well, what you do want is world price plus?

Mr. BARNARD. Yes.

Senator DOUGLAS. Yes. Well, I would say that is a negotiation on price as well as on quantity.

Senator McCARTHY. We could ask for at least favored nation treatment.

Senator DOUGLAS. Well, it seems to be close to favored nation treatment.

Well now, do you not think this might weaken the ties which bind the sister Commonwealths together?

Mr. BARNARD. Certainly not, sir.

Senator DOUGLAS. If you get a higher price from us than you get from Canada?

Mr. BARNARD. Certainly not.

Senator DOUGLAS. Would that not make you look more affectionately upon us rather than upon Canada?

Mr. BARNARD. Certainly not.

Senator DOUGLAS. We would not get your friendship then by doing that?

Mr. BARNARD. You certainly would.

Senator DOUGLAS. We do not lose any friendship?

Mr. BARNARD. You are not a bit inconsistent sir, to have friendship for two.

Senator DOUGLAS. I see. But, nevertheless, you think we should pay more than Canada?

Mr. BARNARD. Yes, sir—no, we are willing to accept the Canadian price if you regard that as a fair and reasonable price, certainly.

Senator DOUGLAS. But you really want us to pay the British price?

Mr. BARNARD. Sir, we think that the British and the United States in the past have made a determination that that is a price representing a fair and reasonable return to farmers who are growing cane. We regard this as a matter of determination in judgment.

The U.S. price is not so out of the sky as has been indicated here.

It is a price that other nations have concluded is a fair and reasonable price.

Senator DOUGLAS. Well, do you not think you are endangering Commonwealth ties, making the Commonwealth of Australia more dependent upon the United States?

Mr. BARNARD. Certainly not, sir.

Senator DOUGLAS. Well, yes, you will be. You will be getting your market not nearly inside the Commonwealth but in the United States.

Mr. BARNARD. Sir, we are trading with the United States in increasing quantities every year.

Senator DOUGLAS. But does not this interfere with the loyalty which you should show toward your Queen?

Mr. BARNARD. Certainly not, sir. They are not a bit inconsistent.

Senator McCARTHY. Could I ask a question?

Senator DOUGLAS. Yes.

Senator McCARTHY. Somewhere in the earlier testimony it was stated that there was an average cost of production figure for the whole Commonwealth, and on the basis of that then you begin to determine what prices should be paid.

What is that average price?

Mr. BARNARD. The average net return to the growers, f.o.b., Australia, from Commonwealth sales is \$75 to \$85 a ton.

Senator McCARTHY. No, I understand that, but the question is:

What is the average cost of production that has been estimated for all of the producers of sugar within the Commonwealth?

I think it was you who made a statement earlier that this was the beginning, and then on that basis, why, they fixed the price that England determined they would pay.

Mr. WHEEN. I think you will appreciate, Mr. Senator, that when it comes to questions of cost of production, and you are dealing in a competitive field, it is generally accepted that they are confidential.

And inside the British Commonwealth agreement the actual costs of production, as established for individual territories, are kept confidential to those territories concerned.

Senator McCARTHY. I assumed that this average that you find in the Commonwealth might be an average for the rest of the world and we might be able to determine whether we are paying too much of a premium or whether the price we are offering is unfair and unreasonable because it is too high.

Mr. WHEEN. I think I can answer your question directly if I may.

You are referring to the negotiated price in the United Kingdom, and the average price that I quoted, sterling £45.15.3 per long term, brought to a comparable basis—that is either c.i.f., New York, or f.o.b. the territory source, or c.i.f., United Kingdom—and I mean full c.i.f.—then the United Kingdom price is almost exactly, almost exactly, the current U.S. domestic price; that is to bring it in on a comparable basis that I have done here, before duty, and I repeat, before duty.

And I have these figures here where I have calculated this on the basis of f.o.b., Caribbean ports.

My reason for taking that basis is that that is how the world price, so-called world price, is expressed.

When we think of \$2.70, we speak of \$2.70 cents f.o.b. Caribbean ports.

Now, the United Kingdom negotiated price, under the Commonwealth agreement, f.o.b., Caribbean ports per long ton is sterling £44.

The U.S. price, c.i.f. duty paid in New York, \$6.48, deducting duty and freight which are calculated at 93 cents to bring it to f.o.b. Caribbean ports' basis, is equal to sterling £44 per ton.

In other words, these two prices I am dealing with, not round pounds but pretty close to round pounds, they are identical.

And, as Mr. Barnard said, this is not an oddity. This is not a unique position. This does not imply a subsidy because if you go into Europe the continental countries pay virtually the same level, within a few shillings per ton, of these figures that are taken by the United Kingdom and have been taken by the United States of America as a reasonably remunerative price to efficient producers.

And it is on that basis that the formula of the United Kingdom negotiated price is calculated.

Senator DOUGLAS. But you make separate agreements with other Commonwealth countries for the lower prices?

Mr. WHEEN. Sir, within the Commonwealth, under the statute of Westminster and whatnot, as you will be aware, you are dealing with separate governments, separate entities, with separate views, and each government is entitled to its own view, United Kingdom, Australia, and United States of America.

And as far as the Australian sugar industry is concerned, we would not wish to interfere with the views of the United States of America.

In Canada, sir, if Canada chooses to obtain its sugar on the basis of offering a preference or indicating by other methods that it will prefer Commonwealth sugar against others, we would not interfere.

And the Commonwealth and other territories offer sugar on that market competitively.

Senator DOUGLAS. But the aggregate of the world price plus the preferential tariff in Canada gives you a net of 3.7 cents a pound?

Mr. WHEEN. On the basis of the present market price, world market price, that is approximately correct.

Senator DOUGLAS. Or roughly 1.8 cents below the price which the United States now pays?

Mr. WHEEN. That is approximately correct.

Senator DOUGLAS. Do you not think you should treat us as well as Canada?

Mr. WHEEN. Well, sir, I am not about to conduct a negotiation, but if that is the price that the United States considers fair, and if you—I will go a bit further, because I, myself, personally would not consider that a fair price.

I think that the Canadians should be paying more for their sugar than they do.

Senator DOUGLAS. But you, nevertheless, consent to this agreement with them?

Mr. WHEEN. No, there is no agreement, sir. This is an open market.

We have no agreement with the Canadians. They have no sugar bills such as you have in the United States or sugar acts.

Senator DOUGLAS. But you think we should pay more than the Canadians are now paying?

Mr. WHEEN. I think that every responsible government or country should pay a fair price, a fair price, that is fair both to the producer and to the consumer.

Senator DOUGLAS. I do not want to badger you, so to speak, but there are very interesting international issues here which deserve to be discussed in the attitude of friendship.

Then you feel that Canada is not really treating you properly?

Mr. WHEEN. I think it is very difficult to go and take any segment of international trade and say that you have been receiving unfair treatment because in other respects of our trade relations with Canada, overall, they are not that way.

I think Mr. Bernard has pointed out that we felt an adverse balance of payments against Australia of \$0.5 billion a year, and each dollar to us in Australia means a lot, and we are not asking a great deal to have our name included on the list to enable us, to just have the right of selling in this market.

You see, in the case of Hannover, all the world can compete there. In this market today it has not been the case.

Indeed, Australia has been completely excluded.

Senator DOUGLAS. We would like to have all the world compete in our market.

We would like to adopt the Canadian system and have a world price and open our doors—

Senator CURTIS. May I ask the distinguished chairman a question?

Senator DOUGLAS. Oh, certainly.

Senator CURTIS. Who are you implying by the term "we"?

Senator DOUGLAS. "We"? I.

Senator CURTIS. I see.

Well, I want to go on record as opposed to providing sugar for the tables in America from those places in the world that are most successful in exploiting human labor, and that is what established the world price.

I want no part of it.

Senator DOUGLAS. Thank you.

Senator CURTIS. I respectfully disagree with our distinguished chairman.

Senator McCARTHY. But I hope you will vote with me on the migratory farm bill next time—

Senator CURTIS. I probably will. Our sugarbeets are getting largely mechanized. We are not interested in that.

Senator McCARTHY. Not any more?

Senator DOUGLAS. Mr. Barnard, we ask this question of everyone who appears. I hope you will not resent it if we ask this question of you.

Do you have a fee for representing the Australian interests?

Mr. BARNARD. Yes, sir.

Senator DOUGLAS. Do you want to state what it is?

Mr. BARNARD. I have, in advance of receiving the telegram, sir, written a letter to you which I will be delighted to read if that will answer it, and I will, of course, file it with you.

The committee has requested we submit a statement as to the nature of the agreement between our firm and the Queensland Sugar Board and the Australian sugar industry.

In January 1961 our firm entered into a 3-month retainer agreement with the Colonial Sugar Refining Co., Ltd. The Colonial Sugar Refining Co., Ltd., a privately owned Australian corporation, was acting on behalf of the Queensland Sugar Board and the Australian sugar industry.

At the conclusion of the 3-month period the retainer agreement was replaced by an oral arrangement under which professional services were rendered on a normal professional basis, that is to say, statements were submitted and payments were received based on the amount of work involved together with reimbursement for out-of-pocket disbursements.

As a normal professional arrangement, the agreement with the Colonial Sugar Refining Co., Ltd., is terminable at any time by either party on giving notice.

The agreement is in no way contingent on the amount of sugar which the Australian sugar industry ships or sells in the U.S. market.

And may I say that in this connection while Australia sold 90,000 tons of sugar in the United States in 1961 it was not reflected in any contingent way or in any way in our fee.

Our firm also performs regular professional services for the Colonial Sugar Refining Co., Ltd., on matters not related to the sugar legislation in the United States. All sums received from the Colonial Sugar Refining Co., Ltd., for professional services are included in the statement filed with the Department of Justice under the Foreign Agents Registration Act.

Attached to this letter is exhibit B to the form filed with the Department of Justice pursuant to section 2 of the Foreign Agents Registration Act of 1938, as amended, for the 6-month period ended June 30, 1961, setting forth the contractual relationships between our firm and the Colonial Sugar Refining Co., Ltd.

Senator DOUGLAS. And what is your fee?

Mr. BARNARD. It is not fixed, sir. It depends on the amount of work which is done.

Senator DOUGLAS. What did it amount to last year?

Mr. BARNARD. I can tell you the amount of fees received, if that is what you would like me to give you.

I have it here.

From January 1 to June 30, 1961, fees in the amount of \$10,500 were received.

From July 1 through December 31, fees in the amount of \$8,250.

Thus far this year, from January 1 through March 31, 1962, fees in the amount of \$4,400 were received.

Senator DOUGLAS. Do you have an allowance for expenses?

Mr. BARNARD. Out-of-pocket expenses, sir, such as telephone, telegraph, and normal—

Senator DOUGLAS. No entertainment allowance?

Mr. BARNARD. No, sir.

Senator DOUGLAS. Thank you very much.

Mr. BARNARD. Thank you, sir.

Mr. Chairman, shall I submit this letter or may I regard it as submitted?

Senator DOUGLAS. I think we asked to have it submitted.

Mr. BARNARD. Yes, sir.

(The letter follows:)

CLEARY, GOTTLIEB & STEEN,
Washington, D.C., June 23, 1963.

The CHAIRMAN,
Senate Finance Committee, Washington, D.C.

DEAR MR. CHAIRMAN: The Committee has requested we submit a statement as to the nature of the agreement between our firm and the Queensland Sugar Board and the Australian sugar industry.

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Attached to this letter is exhibit B to the form filed with the Department of Justice pursuant to section 2 of the Foreign Agents Registration Act of 1938, as amended, for the 6-month period ended June 30, 1961, setting forth the contractual relationships between our firm and the Colonial Sugar Refining Co., Ltd.

Sincerely yours,

ROBERT C. BARNARD.

EXHIBIT B

Registrant is retained by the Colonial Sugar Refining Co., Ltd., of Sydney, Australia, to render legal advice regarding the U.S. sugar laws and their administration. The services for which the registrant is retained include giving information and advice concerning any proposals that affect U.S. sugar imports under the Sugar Act. Registrant was originally retained for a period of 3 months, from January to March 1961. Since the conclusion of that period, registrant has been rendering the above-described services pursuant to an oral arrangement subject to the normal terms and conditions applicable to attorney-client relationships.

(The following was later received for the record:)

Included in 1961 foreign agents registration statements

Period covered	Fees	Disbursements incurred	Disbursements reimbursed
Jan. 1-June 30, 1961.....	\$10,500	\$606.98	\$286.78
July 1-Dec. 31, 1961.....	8,250	1,618.17	1,876.08

To be included in June 30, 1962, foreign agents registration statement

	Fees	Disbursements
Jan. 1-Mar. 31, 1962.....	\$4,400	\$466.83

Senator DOUGLAS. Our next witness is Mr. Purcell. We are very glad to have you, Mr. Purcell.

You have a very distinguished record of public service. We are very glad to welcome you.

**STATEMENT OF GANSON PURCELL, ON BEHALF OF THE
NICARAGUA SUGAR ESTATES, LTD.**

Mr. PURCELL. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Ganson Purcell. I appear on behalf of Nicaragua Sugar Estates, Ltd., Nicaragua's largest sugar producer. We appreciate this opportunity to present a statement in Nicaragua's behalf.

We believe the United States should rely upon Nicaragua for a larger portion of its sugar requirements than that proposed under H.R. 12154. The reasons in support of our position are set forth in my testimony on May 24, 1962, before the House Committee on Agriculture. I do not propose to repeat the detailed statements that I made there. I would, however, like to summarize briefly the views of Nicaragua's sugar producers on S. 3290 and the provisions of H.R. 12154 as it passed the House.

Let me say first that we endorse the basic principles of H.R. 12154. That bill rejects the proposals for a so-called global quota and recapture of premium which are contained in S. 3290. The House bill reaffirms the major objectives of the Sugar Act of 1948, and projects into the future the essential elements of a sugar program which has met with notable success for more than a quarter of a century. As a means of insuring adequate and stable sugar supplies, it retains the area-by-area, country-by-country quota system—a cornerstone of existing sugar legislation. We believe these features are essential to a sound sugar program for the United States.

However, on behalf of Nicaragua, we urge the committee to modify H.R. 12154 in two respects:

(1) Provide Nicaragua with a minimum basic quota of not less than 50,000 tons by increasing its percentage proration of the quotas fixed as foreign countries other than the Republic of the Philippines.

(2) Permit Nicaragua to ship direct-consumption sugar within such basic quota during the life of the new law, to the extent of the average amount of sugar entered by it during the years 1957, 1958, and 1959. This would require an increase of the ceiling in the proposed amendment to section 207 of the 1948 act to such percentage proration as may be fixed for Nicaragua in section 202(c)(3). Historically, Nicaragua has always been permitted modest entries of direct-consumption sugar. The House bill would eliminate all such shipments by Nicaragua in the future. Our proposal would enable Nicaragua to enter into the United States annually about 10,800 tons of direct-consumption sugar.

Let me turn now to the considerations we believe support our suggestions. As stated by the House Committee on Agriculture in its report, accompanying H.R. 12154, one of the major objectives of the Sugar Act of 1948 is to "permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and insuring a stable and adequate supply of sugar." We believe our proposals are consistent with these objectives.

(1) Nicaragua is nearby. In terms of geography it is a logical source of sugar for the United States. By sea it is accessible to the major ports of the United States; by land it is linked to U.S. shipping centers over the newly completed Inter-American Highway—a factor which could be of critical importance in times of international emergency.

(2) Among nearby foreign countries friendly to the United States, Nicaragua has few peers. I do not need to detail for members of this committee its long record of steadfast loyalty to the United States in every international forum, including the United Nations and the Organization of American States. I would add only that Nicaragua's friendship for the United States is not now, and never has been, up for barter; it will continue undiminished, regardless of what sugar legislation emerges.

(3) As far as an opportunity to participate equitably in the U.S. sugar market is concerned, we ask the members of the committee to examine table 2 appearing on page 15 of the House committee's report. That table shows final basic quotas under the Sugar Act of 1948 for the first years of such act, each major extension thereof, and for recent years. The portion of the table dealing with the proportions for Peru, the Dominican Republic, Mexico, and Nicaragua, respectively, is reproduced here:

Proration of quotas for foreign countries other than Cuba and the Republic of the Philippines

(Short tons, raw value)

Area or country	1948	1953	1957	1960	1962, as of May 31 adjusted to annual rate
Peru.....	5,903.6	50,109	77,124	138,827	108,818
Dominican Republic.....	3,542.2	29,641	60,420	130,957	96,308
Mexico.....	3,204.1	11,046	43,134	115,809	80,108
Nicaragua.....	8,429.2	7,550	11,588	19,766	15,748

In 1948 Nicaragua's basic quota was second only to that of Peru and was greater than that of both Mexico and the Dominican Republic. By 1953, it had slipped to fourth place. In 1948, Nicaragua supplied over 30 percent of the sugar provided by these four countries; by 1960 it provided less than 5 percent.

The principal factor responsible for this development has been the arbitrary and unexplained limitation in the 1956 extension act of Nicaragua's participation in the post-1956 growth of U.S. sugar requirements. It shared in that growth to the extent of only one-half of 1 percent, while the participation of the other three countries ranged from 4.3 percent to over 5 percent. Nicaragua sugar producers were thus prevented during the intervening years from expanding their production consistent with their ability to do so, until they were called upon in 1960 to assist in filling the gap resulting from the Cuban political upheaval. A basic quota of at least 50,000 tons—roughly equivalent to Nicaragua's estimated 1962 exportable surplus—would contribute toward restoring it to a more equitable participation in the U.S. sugar market.

(4) The stated objective of the act of "expanding international trade" will be furthered by increasing Nicaragua's participation in the U.S. sugar market. During the past 10 years the balance of trade between the two countries has consistently favored the United States as can be seen from the table below, taken from U.S. Department of Commerce and International Monetary Fund sources:

Nicaragua-United States trade

(Thousands of dollars)

Year	Imports from the United States	Percent of total	Exports to the United States	Percent of total	Balance in favor of the United States
1952.....	28,330	71.34	27,149	52.89	-1,181
1953.....	28,297	64.97	24,810	45.57	-3,487
1954.....	37,915	65.03	28,608	45.57	-9,307
1955.....	45,402	65.19	30,249	37.80	-15,153
1956.....	43,161	62.72	25,167	38.67	-17,994
1957.....	47,070	58.17	27,830	39.08	-19,240
1958.....	42,801	54.92	26,151	36.79	-16,653
1959.....	34,767	52.01	19,216	26.62	-15,551
1960.....	37,746	52.63	26,872	42.74	-10,874
1961.....	26,900		22,700		-4,200

¹ For the 10 month period ended Oct. 31, 1961.

From Nicaragua's standpoint, this trade balance has been drastically unfavorable and has created increasingly difficult balance-of-payments problems. Dollars earned by Nicaragua through the exportation of sugar to the United States are urgently needed, not only to enable Nicaragua to maintain and even increase its purchases of commodities and manufactured articles in the United States, but also to alleviate its balance-of-payments problems.

Before I close, I should like to give the committee a few facts concerning the distribution of the returns from the operations of the Nicaraguan sugar industry. Much has been said about enormous profits accruing to a very few wealthy persons who are said to control Latin American sugar production at the expense of the workers upon whom production depends. This simply is not true in the case of Nicaragua.

The sales which Nicaragua has been able to make into the United States during the past 2 crop-years have resulted in very material improvements in benefits to workers in the sugar industry, benefits which include a 25-percent increase in wages, provisions for housing and medical care, and various fringe benefits flowing from the new Labor Code—all in keeping with the Punta del Este Charter and the objectives of the Alliance for Progress. A further 15-percent increase in wages is to go into effect shortly under the provisions of the Labor Code. The sugar industry now gives a greater return to its workers than any other industry in Nicaragua. These benefits have been financed by the expenditure of 70 percent of the United States premium on sales of Cuban deficit shipments in those years.

In addition to direct workers' benefits, the Nicaraguan producers invested \$1,200,000 in new machinery and irrigation equipment—all bought in the United States—to modernize its plant facilities, and \$1,300,000 in maintenance and operation expenses. Without the continued ability to ship the requested amount to the United States, Nicaragua will be required to cutback its production and the program begun will suffer accordingly.

The costs of production come to an average total of just over 5 cents per pound. After costs of shipment and insurance, the profit to the producer is about one-half cent per pound. Not only are substantial benefits conferred on the workers, as I have just pointed out, but the return to the shareholders of Nicaragua Sugar Estates and the other producers does not exceed 6 percent on their invested capital.

We ask your earnest and favorable consideration of Nicaragua's views on the pending legislation and of the position which it seeks in the U.S. sugar program.

Mr. Chairman, at this point I should like to advert to some figures which I understand you put in the record a couple of days ago with respect to the size of holdings in the wages paid in Nicaragua.

Unfortunately, I do not know the exact figures which you gave—

Senator DOUGLAS. Well, the figures which I gave indicated that Nicaragua Sugar Estates, Ltd., owned approximately 24 percent of the land and milled approximately 61 percent of the sugar.

Mr. PURCELL. Well, as to that, sir, it may have been, as far as the acreage is concerned, around that figure prior to the past year.

At present there are 40,000 acres of land-planted cane in Nicaragua, of which Nicaragua Sugar Estates owns about 6,000 acres, which is about 15 percent.

Senator DOUGLAS. Well, the increase in acreage, as I understand it, between 1961 and 1962 is approximately 17,000 acres.

Mr. PURCELL. I do not know that exact figure, but I—

Senator DOUGLAS. So the figure which I gave may have been correct in 1960, but overstates your percentage now in 1962.

Mr. PURCELL. Well, that is not entirely due to the increase in the number of acres.

The new social and economic reform laws which are under consideration in Nicaragua include land reform laws, which will require limits of individual holdings of land and some of the land previously owned by Nicaragua Sugar Estates, they have sold in anticipation of these legislative limitations.

Senator DOUGLAS. I see. Now, are the figures correct on milling?

Mr. PURCELL. It is about 55 to 60 percent; yes, sir.

Senator DOUGLAS. Now, I also gave figures that the Somoza family owned approximately 14 percent of the land and milled approximately 27 percent of the sugar.

Is that correct?

Mr. PURCELL. As to milling, I am unable to confirm that. My people inform me that they think the statement as to 14 or 15 percent of the acreage is probably just about correct.

It is about the same number of acres as is now owned by the Nicaragua Sugar Estates.

Senator DOUGLAS. I am not able to pronounce all of these Spanish names.

There is an El Polvon group which are listed as owning 5 percent of the acreage, and it does not appear among the millers of sugar.

Is that correct?

Mr. PURCELL. I do not know of that name, sir. There are a considerable number of owners who do not do their own milling.

That is why Nicaragua Sugar Estates' milling figure is as much out of proportion to their acreage holdings, because they grind cane for independent owners.

Senator DOUGLAS. Well—pardon me. Had you finished?

Mr. PURCELL. Yes, sir.

Senator DOUGLAS. There is another firm, Lacayo Montoalegre—

Mr. PURCELL. That "Montealegre"—I am familiar with that name.

Senator DOUGLAS. My figures indicate that they own 3 percent of the land and mill 8 percent of the sugar.

Mr. PURCELL. Your figures probably are correct, Senator. I do not know.

Now, as to wages, as I have already indicated in my statement, they have been increased in the past 2 years. Farm wages now average a little over \$2 a day. They range from \$1.70 to \$2.60 a day; while factory and mill and office wages range from \$2.30 a day to \$7.10 a day.

With respect to payments to individual farmers—-independent cane farmers own just slightly over 50 percent of the acreage. A great deal of their cane is purchased and milled by Nicaragua Sugar Estates—in fact, about 52 percent of their mill output is purchased from these independent farmers.

That is purchased on the basis of a return to the farmer of about 60 percent of the gross price realized on the sale of the sugar.

Of course, the price will depend—

Senator DOUGLAS. Is that a sliding scale?

Mr. PURCELL. It will depend on how much the sugar is sold for and in what market.

Incidentally, the sugar purchased from the farmers, I believe I am correct in saying, is sugar which is first devoted to the export market. With respect to the wages I have mentioned, I should say that those wages do not include housing and school provisions and hospital and medical care and paid vacations and other fringe benefits provided under the Labor Code.

Senator DOUGLAS. Mr. Purcell, do I understand that in 1961 your permanent quota was 15,748 tons for Nicaragua?

Mr. PURCELL. I think that is 1962 annualized, yes.

Senator DOUGLAS. Oh, I see. But is it true that about 6,000 of this was unfilled?

Mr. PURCELL. That may be, sir. There is some sugar on the high seas at the present time.

Senator DOUGLAS. The temporary quota was 25,897?

Mr. PURCELL. From the Cuban cutback?

Senator DOUGLAS. Yes.

Mr. PURCELL. Yes, sir.

Senator DOUGLAS. But 5,230—

Mr. PURCELL. Just a moment, sir. I think I am getting mixed up a little bit here.

You are talking about 1961?

Senator DOUGLAS. Yes.

Mr. PURCELL. And that is what we should talk about.

Senator DOUGLAS. Yes.

Mr. PURCELL. There was a shortfall in 1961 of about 6,000 tons, owing to an extraordinary storm damage which occurred and which caused a great deal of flooding which damaged the crop in the 1961 year.

Senator DOUGLAS. So that you actually shipped to this country about 30,000 tons?

Mr. PURCELL. In 1961; that is correct.

Senator DOUGLAS. And the quota, under the House bill, is 30,000 permanent and no temporary?

Mr. PURCELL. That is correct, sir.

Senator DOUGLAS. In other words, it continues the actual shipments of 1961, but your contention is that this failure to fill the higher quotas for 1961 was due to the storm and you should not be permanently penalized for the storm?

Mr. PURCELL. Yes, sir. In other words—let me give you another figure. The anticipated or estimated 1962 production was—this is exportable surplus—between 47,500 and 50,000 tons.

Now, I have just been informed there is a million tons of cane planted at the present time against the next season's cutting and grinding, and their usual yield is approximately 10 percent.

That is around 200 pounds of sugar to the ton of cane, which, of course, would bring the—this would be overall—bring it around to a figure of probably 100,000 tons, and the local consumption rate is about 40,000, or slightly over.

Senator DOUGLAS. Do you export to other countries?

Mr. PURCELL. We have not in about 3 years, not since the Cuban—

Senator DOUGLAS. When you did export, did you sell at the world price?

Mr. PURCELL. About 5,000 tons were sold in 2 years at the world price, which in both of those years caused a slight loss to the company.

Senator DOUGLAS. Would you tell us something about the Nicaragua Sugar Estates which you represent?

Mr. PURCELL. It is a corporation, organized under the laws of Nicaragua.

It is publicly held by something over 200 shareholders. It engages in the sugar growing and milling business and, to a certain extent, in other allied fields.

Just what they are I do not know, but I believe they are minor.

Senator DOUGLAS. Do American interests own any shares in the Nicaragua Sugar Estates?

Mr. PURCELL. Yes; I believe approximately a 25-percent interest.

Senator DOUGLAS. That is my information. And will you identify the American interests?

Mr. PURCELL. I beg your pardon?

Senator DOUGLAS. Would you identify the American interests?

Mr. PURCELL. I am afraid I cannot, sir.

You mean who the individual stockholders are?

Senator DOUGLAS. Yes.

Mr. PURCELL. I do not know.

Senator DOUGLAS. You do not have any idea?

Mr. PURCELL. No, sir; I do not.

Senator DOUGLAS. Mr. Purcell, you have heard these questions. Would you state your fee?

Mr. PURCELL. We are employed by Nicaragua Sugar Estates as attorneys. Our arrangement with them has been, since October of 1960, on a basic retainer basis of \$1,250 per 3 months, per quarter—

Senator DOUGLAS. \$5,000 a year?

Mr. PURCELL. At that rate; yes, sir.

Senator DOUGLAS. Any allowance for expenses?

Mr. PURCELL. We are paid out-of-pocket expenses.

Senator DOUGLAS. No allowance for entertainment?

Mr. PURCELL. No, sir.

Senator DOUGLAS. Is there a contingent proposition or provision?

Mr. PURCELL. There is no contingent provision with respect to the amount of quota, or anything of that sort.

I should explain that the basic quota—I am sorry—the basic retainer is applied to work done, and to the extent that the work done exceeds that amount and justifies a higher billing, it is understood that that will be done.

Senator DOUGLAS. But if the quota increases you do not get an increase?

Mr. PURCELL. No, sir.

Senator DOUGLAS. Do you have anything, Senator McCarthy?

Senator MCCARTHY. I note in your testimony your concern over the fact that, based upon the share of the American sugar market which should be given to Nicaragua—that was determined in the change in the 1956 act; was it not?

Mr. PURCELL. Yes, in the 1956 act, as I have said, while Nicaragua still maintained a respectable position among those four traditional suppliers, it received a very small incremental participation in growth of the U.S. sugar requirements with the result that they fell very well behind.

The country has a very good capacity for expanding its production but it, of course, did not do so, knowing that there was no assured market for the sale of this sugar.

At the time that the Cuban problem arose they did increase. They had a small surplus on hand at the time, and then they did increase their acreage and facilities, but very conservatively, so that they would not run into the real problem of having to cut well back once they were no longer assured of the large allocations of the Cuban deficit.

As a matter of fact, under the act as amended in 1960 and 1961 the theoretical participation of Nicaragua in the Cuban cutback would have been three times as much, if not more, than what was actually assigned to them on the basis of ability to produce.

Senator McCARTHY. In the views of the traditional allocation or if they had made the assignment on the ability to produce—

Mr. PURCELL. If the assignment had been made on the basis of the arithmetical allotments provided for use by Department of Agriculture under the act, as amended, then the excess allocation of the Cuban cutback, plus the basic quota, would have come to about 150,000 tons. But, of course, they could not produce and supply that much sugar.

So that the largest allotment that has been made in the 3 years was about 50,000 tons, including basic quota.

Senator McCARTHY. Was it in the 1956 act that the percentage method was discarded and they went to a fixed-tonnage allocation and began then from that point on having the problem of the question of assigning quotas every time the act came up?

Was that in 1956?

Mr. PURCELL. Well, I am not sure, Senator, but I think it may have been in 1953, the old 1.36—

Senator McCARTHY. Yes.

Mr. PURCELL. Percentage allocation? It was before 1956.

Senator McCARTHY. It was before 1956.

Mr. PURCELL. But in 1956 the 4-percent participation for full-duty countries was applied and then the growth participation—

Senator McCARTHY. Was changed?

Mr. PURCELL. Was changed, yes.

Senator McCARTHY. Is it your opinion now that the earlier practice of more or less allocating it on a percentage basis established or made for more stability in the whole sugar supplying operations of Central America than the more recent practice of reassigning quotas every time the act comes up for renewal?

Mr. PURCELL. Well, of course, in the cane-growing countries, Senator, if they know how much they are going to be called upon to deliver over a period of 5 years or 4 years they are much better off because, as I think has been testified to here before, when you plant a crop of cane you have got a yearly crop for 4 or 5 years to come, and you can plan ahead with greater certainty.

Whether that can be done on a percentage basis as well as on a flat quota basis, I do not know.

Senator McCARTHY. It might be better if we treated this whole thing primarily as an economic problem rather than try to make the Sugar Act the principal instrument of foreign policy in Latin America?

Mr. PURCELL. Well, I have no very fixed notions on that score but, offhand, I would think so.

Senator McCARTHY. Thank you.

Senator DOUGLAS. Thank you very much.

Mr. PURCELL. Thank you.

Senator DOUGLAS. I note that because Mr. Debevoise was to have been the last witness last night, that I started with him first this morning and, therefore, neglected to call two witnesses whose names appear before him in the normal roster, and I apologize for this.

And I would like to ask Mr. Ernest Schein, representing the Republic of Colombia, to come up.

STATEMENT OF ERNEST SCHEIN, ON BEHALF OF THE REPUBLIC OF COLOMBIA

Mr. SCHEIN. Thank you.

Mr. Chairman and members of the committee, my name is Ernest Schein. I am a practicing attorney at law with offices in Washington, D.C., and Chicago. I am here in behalf of Distribuidora de Azucares, S.A., Azucareros Independientes Ltda., Compania Azucarera del Valle, S.A., of Colombia, the three companies which integrate the producers' associations and represent 99.6 percent of the Colombian sugar industry and which are therefore intensely interested in any revisions of the sugar laws of the United States emerging from these hearings.

Colombia is a newcomer among those foreign suppliers who are seeking a permanent quota in the sugar importations of the United States. It participated in the U.S. preferential sugar market when the termination of Cuban imports made it necessary for the United States to obtain a large supply of sugar from other producing areas.

In 1961 it shipped to the United States 46,000 tons. In the first half of 1962 it added to this amount 25,000 tons. Moreover, it has engaged in direct barter for U.S. wheat with 5,000 tons of sugar.

Colombia is a considerable producer of sugar and respectfully submits the following statistics to support its petition for a recognized though modest place in the U.S. sugar quota, import, and price structure.

1. The sugar industry of Colombia is centered in the Cauca Valley of which the city of Cali is the center. Here some 760,000 acres are devoted to the cultivation of sugarcane. Of these about 160,000 acres supply the sugar mills. The remainder form a source of noncentrifugal sugar which is consumed promptly as an essential part of the local diet.

2. After domestic needs are serviced there will be an exportable sugar stock of about 100,000 tons annually.

3. Colombia has exceptionally advantageous port facilities guaranteeing the regular delivery of exported sugar. Buenaventura is located within a short distance of the production center and its capacity at the docks for sugar is 750 tons per day. The ports of Santa Marta, Barranquilla, and Cartagena are also usable in case of necessity. The average time for arrival in North American ports is only 7 days.

4. About 70,000 people are employed in the Colombian sugar industry. Since the average worker's family is composed of no fewer than six members, approximately 400,000 persons are dependent upon sugar for their livelihood.

5. Sugar production and milling in Colombia are not seasonal; they continue throughout the year so that wages are not limited to 3 or 4 or 5 months as in many sugar producing areas in the world.

6. In the period from 1955 to 1960 the wages of workers increased substantially while the selling price of sugar remained stable.

7. Wages represent 50 percent of the selling value of the sugar at the mill and 67.9 percent of the cost of production.

8. Many holdings of sugar planters are small and there is no tendency to concentrate the advantage derived from a considerable export volume in the hands of a few.

9. There are 17 mills each grinding less than 1,000 tons of sugar a day and only 4 mills with a greater daily output. The latter account

for 36 percent of the milled production but the small mills account for 64 percent. Moreover, 50 percent of Colombian sugar derives from small farms of 350 acres or less and 50 percent from larger units which are owned by the mills. The tendency is for new production to originate in smaller holdings.

10. Money flowing into Colombia from the United States is used to purchase capital goods and other merchandise here. Agricultural agreements between Colombia and the United States under Public Law 480 will result in the purchase of more than \$75 million worth of wheat, flour, cotton, milk, vegetable oil, tobacco, and other items produced in the United States. The policy of Colombia is to continue and augment its agreements with our country for the purchase of agricultural surpluses which will result in the growth of profitable commercial relations between the two countries.

Colombia aligns itself with those who have frankly expressed their concern over any plan to abandon the quota and premium price devices in favor of so-called global quotas and competitive world market prices. Colombia has had experience in the so-called world sugar market and states with conviction that it will be a much more dependable and secure source of sugar supplies and stable prices for the United States if it has a secure position in the U.S. import system at U.S. domestic prices without recapture in full or in part of any premiums above the so-called world market.

The sugar industry of Colombia respects the sovereignty of the United States and does not presume to influence its foreign or domestic policy with respect to sugar. Nevertheless, Colombia quite openly has taken the position that a generous portion of the total supplies of sugar formerly imported from Cuba should be allotted to other Latin American countries which have manifested their friendliness to the United States. Of these countries Colombia, we submit, is in a leading position.

We are very gratified to find in the Sugar Act Amendments of 1962 passed by the House of Representatives that Colombia is allotted a fixed quota of 1.23 percent of the United States annual estimated consumption of sugar after deducting the portions reserved for domestic cane and beet producers, the Philippines and certain minor contingencies. We do not wish in any respect to appear less than grateful for this consideration.

However, we would not be completely frank if we did not express our surprise and disappointment at being excluded under the terms of the Sugar Act Amendments of 1962 as enacted by the House of Representatives from the allocations to certain foreign countries of a portion of sugar supplies to be imported while Cuba is not in friendly diplomatic relations with the United States.

We observe that such Latin American countries as Peru, the Dominican Republic, Mexico, and Brazil and that other foreign areas like Australia, the Republic of China, India, South Africa and Mauritius are included in this category. We must conclude that we were inadvertently left out and so we respectfully ask that we be reinstated within this list for the period ending December 31, 1962, and for the calendar year 1963 as well as subsequent periods when similar added imports may be required.

I do not wish to take any more of your time and I assure you of the gratitude of my principals and myself for the opportunity to appear before you.

Senator DOUGLAS. Thank you, Mr. Schein, and you are a very esteemed citizen of my city.

I am sorry, through inadvertence, I delayed your appearance on your stand.

You received no permanent quota under the 1961 act?

Mr. SCHEIN. No, this is a new position.

Senator DOUGLAS. But a 46,000 temporary quota?

Mr. SCHEIN. Well, it is 71,000 in a cash sugar market, and 5,000 tons in trade.

Senator DOUGLAS. My figures may be wrong on that. That was last year?

Mr. SCHEIN. Last year; up to the present time that is all. That is total.

This is all we have ever had.

Senator DOUGLAS. You are getting 35,000 permanent but no temporary at present.

You want to have this increased?

Mr. SCHEIN. The quota that has been given to us?

Senator DOUGLAS. Yes.

Mr. SCHEIN. No; I think the quota that is given in the House enactment is fine, but I think that we should be included in the temporary allotments where Australia and Mauritius, and others appear, and we are very close by, and would be happy with 1 percent taken from each of these foreign—and by “foreign” I mean not Western Hemisphere—suppliers.

Senator DOUGLAS. Of course, they are all anxious to increase theirs.

Mr. SCHEIN. They have big political considerations and we just have a simple problem.

Senator DOUGLAS. Where did Colombia used to sell its sugar?

Mr. SCHEIN. I did not hear that.

Senator DOUGLAS. Where did Colombia used to sell its sugar?

Mr. SCHEIN. Well, it used a high percentage of it, as it proposed to do in the future, right in Colombia, and it got in on the International Sugar Agreement to the tune of 5,000 tons.

And that, plus a few thousand more, went into the world area.

Senator DOUGLAS. And at what price did you sell in the world area?

Mr. SCHEIN. I am not an expert in the price picture, and I am not an economist, but I assume that they sold at world prices.

Senator DOUGLAS. You now ask that we pay double the world price?

Mr. SCHEIN. Well, as I say, I am not a statesman, obviously. I am not an economist. I am a lawyer—

Senator DOUGLAS. Well, most people who allege to be statesmen are not statesmen—

Mr. SCHEIN. I am advocating a position for Colombia, a friendly South American country, in whatever legal sugar picture takes place in this country.

Senator McCARTHY. I think what we need to deal with in this act is a juggler.

Mr. SCHEIN. Well, I am not a juggler, either.

Senator McCARTHY. You are not a juggler, either? All right.

Mr. SCHEIN. I confine myself to the practice of law, and I presented, as best I could, as an advocate, the position of Colombia in any legal position which may generally be adopted in this country, I hope that Colombia will be favorably considered because of the items, one by one, which I have submitted in Colombia's behalf.

I do not represent the country of Colombia. I represent some highly respected private parties, and that is the kind of representation I have had for 40 years.

Senator DOUGLAS. These big companies mill virtually all of the sugar in Colombia?

Mr. SCHEIN. That is right.

These are actual leaders. There is only one other mill not represented by my group, which is a little removed from Cali in the Cauca Valley, which actually gets all of the same benefits of what the three associations would procure.

Senator McCARTHY. Will the Senator yield to me?

Senator DOUGLAS. Yes, sir.

Senator McCARTHY. I am sure you studied the allocations, Mr. Schein.

Do you see any patterns in the way in which the temporary quotas have been assigned or any reason for it?

Mr. SCHEIN. You mean the Cuban withholding?

Senator McCARTHY. Yes.

Mr. SCHEIN. I cannot make them out.

Senator McCARTHY. You cannot make them out?

Mr. SCHEIN. No.

Senator McCARTHY. Well, I hoped that you might help. If you cannot make them out I will have to study them myself.

I have no further questions.

Senator DOUGLAS. Mr. Schein, we ask this question of everyone.

Will you state for the record your fees in connection with the three companies?

Mr. SCHEIN. Yes; I received a retainer of \$15,000.

Senator DOUGLAS. A year?

Mr. SCHEIN. Well, I only have a year's arrangement, until the end of fiscal 1963. At June 30 of 1963 my employment stops.

I have some further compensation—

Senator DOUGLAS. Do you have a contingent—

Mr. SCHEIN. Yes. These have recently been arranged, before the adoption of the House acts, however, whereby I keep on working, but get no additional compensation if Colombia gets no quota.

There will still be an area of negotiation, I hope, under which during the temporary requirements are studied; I would work there on the basis of my retainer.

If Colombia is included in a regular quota area then I get contingencies based on the amount of sugar which my producers would be allowed in this country.

Senator DOUGLAS. Well, may I ask what is this contingency?

Mr. SCHEIN. Yes; I will give it to you next.

Beyond 10,000 tons regular quota, I would receive 50 cents a ton up to 30,000 tons and 25 cents a ton above the amount of 30,000 tons.

Senator DOUGLAS. So that on 35,000 tons you would receive a fee—

Mr. SCHEIN. Of \$12,500 in addition to my retainer.

Senator DOUGLAS. And the retainer is?

Mr. SCHEIN. \$15,000.

Senator DOUGLAS. Now, if the quota should be raised to 50,000 what would your contingency be?

Mr. SCHEIN. Now, your arithmetic is better than mine.

Senator DOUGLAS. Well, you are more intimately concerned with this than I.

Mr. SCHEIN. It would be more than that. It would be more. But I am not going to mention the figures spontaneously.

Senator DOUGLAS. Have you not thought about this?

Mr. SCHEIN. No; I have not, really.

Senator DOUGLAS. What was it again, in excess of 25,000?

Mr. SCHEIN. In excess of 10,000, up to 30. 50 cents a ton.

Senator DOUGLAS. Oh, that would only be 10,000 more and then beyond 30,000?

Mr. SCHEIN. 25 cents.

Senator DOUGLAS. 25 cents.

Senator McCARTHY. It is a variation between permanent and temporary?

Mr. SCHEIN. No variation, but the requirement is there that Colombia must have a secure statutory position before it will consider paying me any more money.

Senator McCARTHY. I think we should observe, Senator Douglas, that there is no indication of price fixing among the lawyers who have been working on this bill.

Mr. SCHEIN. No; we have no combination in restraint of trade.

Senator DOUGLAS. A rollcall has just been called and we will recess for the rollcall.

Mr. Mahoney and Mr. Bronze will remain to testify, because we want to get this through today, and we will reconvene immediately after rollcall, in about 15 minutes.

(At this point a short recess was taken.)

Senator DOUGLAS. The committee will come to order.

Mr. John Mahoney, representing the South African Sugar industry. We are glad to see you, Mr. Mahoney.

STATEMENT OF JOHN MAHONEY, SOUTH AFRICAN SUGAR ASSOCIATION

Mr. MAHONEY. We are very glad to be with you, Senator Douglas, and particularly to be able to sit through the last couple of days and get some idea of the amount of work that you gentlemen put in committee. I think oftentimes that is lost on us, we don't realize, when we don't see you down on the floor or at least here, what you are really doing, where the times goes.

I am going to reverse things a little bit, Senator Douglas, if I may. I will start with, my name is John R. Mahoney, that I am a member of the firm of Casey, Lane & Mittendorf, of 26 Broadway in New York, and my firm is counsel for the South African Sugar Association, which is a group of private growers, millers, and refiners on whose behalf I appear today.

I stress the word "private" because we are not counsel for the South African Government as such.

I would like to explain our relationship with our client now, rather than waiting for your questions at the end. I do this for several reasons, and for a purpose which will become clear to you.

A year ago, approximately, my partner, Mr. Casey, the main partner, James Casey, when he was in Europe, and in Africa—he knows a good deal because we represent some mining interests that are in

South Africa and also in the United States—at that time he cabled me and said in effect, “Get a workup on the whole business of sugar.”

We had not been in the sugar field. We are a New York firm that works generally in admiralty and in the administrative law. I personally do a great deal of administrative law before the Interstate Commission and the Maritime Administration and do more in shipping than anything else.

In any event, he indicated that he had reached agreement with the South African Sugar Association. That was, I believe, in early June. The terms of the agreement were that Casey, Lane & Mittendorf were to be paid our time charges. This would be based on the time expended either by the partners or the associates, and that would be at rates ranging from \$12½ up to \$50 per hour depending upon who the person was who works on it. We were to be reimbursed for our disbursements and those would include travel, cable charges, printing, photostating, and xeroxing, which we have found a particularly useful machine and we charge—

Senator DOUGLAS. Nothing for entertainment?

Mr. MAHONEY. No entertainment, Senator Douglas.

There was absolutely no element of contingency involved in this and there was no—another thing, we did not get a retainer as such. Most of the time we don't. Although we do work with some clients on a retainer basis, in this instance the fact is we have not actually billed, and, therefore, it is a *res ipsa* case, we haven't collected any money.

The money—my understanding of our relationship was that we were to represent SASA, that is the South African Sugar Association in their, any of their commercial relationships in the United States, and I gathered in Canada, also; and, incidentally, we were also to assist them if at any time there was a possibility of their getting access to the American market.

Now, the only work beside doing this background work which we did last year, to get ourselves familiar with the whole sugar situation the only work that we have done was done, I think, in March or April this year, I allude to that in my statement later, and in that case there was an arrangement under which South African sugar would be traded for American wheat. That was, I think, done in March or April, I can get the exact date, but at any rate that hasn't been billed, I haven't looked at what we call the blue slips—we keep time records every day—I have not looked at it as to what they are and one of the reasons I wouldn't normally bill it is that it would be in the province of my partner, Mr. Casey, whose responsibility it is to do the billing. So at this moment I can't tell you how much they owe us for this, but I would hazard the roughest kind of a guess at three or four or five thousand dollars. But I will furnish that figure for you.

(The following information was subsequently supplied:)

The present status of the billing, as at April 30, 1962, is \$4,840.

Senator DOUGLAS. I hope in your future billing you will include the stand-by time that we, or the sit-by time, we kept you waiting here.

Mr. MAHONEY. That, actually, they will be billed on a portal to portal for this business even though a lot of it contributed to my education.

Senator DOUGLAS. From doorway to doorway?

Mr. MAHONEY. Exactly.

Senator DOUGLAS. Or, rather, from the time of leaving your office to the time of return to your office.

Mr. MAHONEY. Well, no. Actually, the way we work it, we count 7½ hours we think of that as a normal business day, lawyer's day, and, for instance, I would put in for yesterday and today and the day before, all day, meaning 7½ hours, that would be the way I would bill it actually, and any of our people would do that unless you are working on a brief, when, as you know, you go to 10 or midnight and you charge them for that.

Senator DOUGLAS. You don't ask time and a half for overtime

Mr. MAHONEY. I wish we did.

Senator DOUGLAS. It is straight time overtime?

Mr. MAHONEY. That is correct.

Senator DOUGLAS. By the way, do you have a 5-day week or 6-day week?

Mr. MAHONEY. Five-day week, as I discovered this morning when I tried to get my office to get these facts.

Senator DOUGLAS. Very interesting. I have always been interested in these relationships with lawyers and clients. This is a very valuable bit of testimony.

Mr. MAHONEY. In any event, Senator, the fact that Mr. Casey is away in Europe is a source of a little bit of embarrassment to me.

I filed the lobbying statements. I was going to report just myself as such, but I filed for the firm as I felt that was the proper thing. And then I have attempted to file; I had the raw documents, with the Department of Justice, the exhibits and the basic forms, but it appears that they want a complete—well, there are two things missing, one is Mr. Casey's exhibit. I have mine done and also Mr. Orlin, our associate, who has worked on this has his, Mr. Casey's is missing.

We are going to get something in, and I will undertake to see that our filing will be done by next Monday, but I wanted you to know that.

Senator DOUGLAS. I appreciate that. It is a very frank statement, Mr. Mahoney, and I want to congratulate you.

Mr. MAHONEY. Now, our clients urge your committee to give the most serious consideration to H.R. 12154 which passed the House of Representatives on Monday. In that bill, the South African producers have been granted an opportunity to sell some sugar in the U.S. market.

Today we respectfully request that you report favorably on H.R. 12154 in a way which would give the South African Sugar Association a quota in the U.S. market as provided for by section 202(c)(3)(A).

Now the quota in that section, I think, would represent a 20,000-ton quota.

The South African Sugar Association is very well aware that in connection with the temporary replacement of Cuban or other sugar in the U.S. market that such authorization, that is for this temporary quota, in this instance of 100,000 tons, would not constitute any permanent claim on any future legislation in the event that a friendly regime should be returned to Cuba and that country should again take its place as a major supplier of the U.S. market.

On that point I might say first that South Africa has taken no steps to beef up its production as the result of this Cuban fiasco. Either at this point or perhaps subsequently, when you obviously will want to ask me some questions, I have one suggestion that might meet the very real problems that Senator Fulbright and Senator Morton, and yourself and, I think, some of the other members of the committee have talked of and have been so concerned about in the colloquy and in the discussion with the witnesses, and that is the fear or the feeling that any country that gets access to the American market as the result of the present Castro government, will receive or get a vested interest, and will get some kind of a built-in position.

I suggest to you in that connection, Senator Douglas, and Senator McCarthy, that there may be a way to meet this. I am drawing now on what little experience I have had in my relationship with Congress in connection with transportation problems, both domestic and international.

If Congress wants to make a specific provision to make it abundantly clear that any allocation or any quota or anything of that sort is on a temporary basis and that it means temporary, there is one way that was suggested by you, Senator Douglas, and that is either to include it in the report or see to it that the debate on the floor reflects the concern of Congress. But it seems to me the safest way to do it is the way that it has been done in connection with parts 1, 2, and 3, I think, of the Interstate Commerce Act.

There you are dealing, of course, with access to the transportation market, and you are working through the device of the certificate of convenience and necessity, to be sure. In that instance, though, Congress recognized that there were certain cases where there might be an emergency situation, and where the suppliers or the big shippers might want to cut across this quota system, if you want to call it that, the certification system, and they did that by what they called a temporary authority, so that on the one hand, a particular carrier, common or contract carrier, might after fighting very hard get a permanent authority to operate between States A and B, or New York and Washington, but if the need arose on a temporary basis, the carrier could get a so-called temporary authority and write in the legislation, right in the section it states that—I am trying to quote now—such temporary authority shall create no presumption that corresponding permanent authority will be granted thereafter and shall not be construed as giving any right at all or a leg up on permanent authority. I just throw that out to you as a possible way at getting at this when you get to the very difficult job of how you are going to try to fill the void without creating these vested interests.

Now, returning to the statement: South Africa's firm support of the United States in the fight against world communism is so well known that it hardly need be mentioned. It has given repeated evidence of its traditional friendship with the United States by voting solidly with this country against the Red bloc in the United Nations. South Africa does not even maintain diplomatic relations with the Soviet Union or with Red China, and is not represented in Cuba. In World Wars I and II South African troops marched alongside of American GI's. A South African flying squadron also worked with the American Air Force in the Korean war. During the cold war, South Africa has cooperated fully with U.S. defense efforts, and tangible

evidence of this cooperation is the U.S. missile tracking station on South African territory.

South Africa has also offered wholehearted support to the United States in its successful burgeoning efforts to acquire space. As you gentlemen undoubtedly know—I didn't before I got into this—the United States has built a very large space vehicle tracking station near Johannesburg, which is manned and maintained by South African scientists and technologists on behalf of NASA. This station is a vital link in the chain of stations supporting the American space efforts. A point that is perhaps not without some interest is that a great many of the services involved, including the provision of the land on which the station is located, are furnished without charge by the South African Government.

South Africa is proud to say that, although it is a relatively small nation, it has never called on the United States for economic aid. Moreover, private American investment in South Africa, exceeding \$600 million, has always been safe from arbitrary expropriation.

We believe that all these facts redound to South Africa's credit and should be considered by the U.S. Senate as it approaches the delicate job of determining what form the sugar supply to the United States should take.

South Africa has been an independent nation for over 50 years and is no longer a member of the British Commonwealth. In some respects it has an early history that is similar to that of the United States. However, while American colonists, in some instances, had to wrest the land from the Indians, most of the virgin soil settled by the original immigrants from Europe to South Africa was virtually uninhabited. In more recent times it has been the economic prosperity engendered by descendants of the early Dutch and English settlers that has brought the vast influx of non-Europeans from many other areas into the modern South African economy. South Africa's vital concern for the economic well-being of its peoples is best demonstrated by the fact that the nonwhites enjoy by far the highest income of any native race on the entire continent of Africa. We understand, for example, that South African Bantu own proportionately more automobiles than all the peoples of Russia today.

The South African sugar industry is one of the largest employers of native labor. Almost 80,000 workers are employed during the peak season from May to December. The sugar is grown mainly on small farms. These farms are operated by 5,000 persons of non-European extraction and about 1,500 persons of European extraction. Naturally, the economic advantage derived from foreign sales of sugar redound to the benefit of the nonwhite workers.

It has been estimated that the South African 1962-63 crop, if unrestricted, would produce about 1,380,000 short tons of sugar. If restricted, as it will be, or would be, it would be slightly more than a million tons.

Local consumption normally would take about 760,000 tons of this, which would result in an exportable surplus of 620,000 tons, if you use the unrestricted figure of 1.3 million, or about 300,000 tons, if it is restricted.

About 400,000 tons unrestricted, or 300,000 to 200,000 tons if restricted, could be shipped to the United States before the end of 1962

if the demand is there, or if it is needed. South Africa has plenty of sugar which can reach the United States within 1 month's transit time.

I understand, parenthetically, that sailing time, particularly on these new ships that the Maritime Administration has authorized for South African Marine and Farrell Lines, particularly, that is the subsidized carrier, runs to about 19 days on the run from Capetown. This is less than the sailing time of some of the U.S. suppliers.

However, because of the tremendous surplus of sugar in the world market, production in South Africa will have to be cut back almost 25 percent this year. This will cause thousands of natives to lose their jobs. These workers could be reemployed if South African sugar could be sold in the U.S. market.

Although South Africa is one of the major non-Communist sugar-producing countries, the proportion of production actually exported is relatively low, approximately 20 percent, due to the large domestic consumption there. Based on the data set out on page 10 of the House of Representatives Report No. 1829, accompanying H.R. 12154, the per capita consumption of sugar in South Africa during the 1959-61 period averaged about 97 pounds per annum which comes very close indeed to the U.S. figure of about 103 pounds per annum. All sectors of the population, which is only 15 million, must necessarily share in this consumption for it, meaning the pounds per annum, to be as high as it is. Therefore, oversea outlets must be found, or the industry upon whom so many people of all races depend for their livelihood, will have to face further cutbacks, to the detriment of all.

Like most of the sugar-producing nations of the world, in order to maintain its domestic industry, South Africa permits sugar to be sold in its local market at a price somewhat higher than that in the depressed world market.

If the United States needs additional sugar the South African Sugar Association will do all in its power to supply whatever it has available, in any circumstances within reason. It is anxious to sell where the best price prevails, that is why it is wishing to sell, frankly, in the U.S. market.

The United States has always enjoyed a favorable trade balance with South Africa. In recent years, even with the United States buying large quantities of strategic materials from South Africa, the differential in favor of the United States has exceeded \$100 million annually. In the period before the importation of strategic materials, the balance of trade with South Africa was even more favorable to the United States. Incidentally, this includes between 70,000 and 75,000 bales of U.S. cotton per annum. Also, earlier this year, South Africa offered to take 72,800 short tons of U.S. wheat in return for the opportunity to supply the U.S. market with 30,000 short tons of sugar. This transaction meant for trade purposes that almost \$5 million of U.S. wheat was being exchanged, would have been exchanged for about \$3 million of South African sugar. The offer was not accepted, and again, parenthetically, Senator Douglas, it was in that connection that the services were performed by my firm, not by me as it happens, but one of the associates and one of my partners.

Also, I would say that the allusion to the 70,000 to 75,000 bales of U.S. cotton, I suppose would be lost in Illinois or the Northwest, at least there isn't any cotton being grown up there that I know about. Is there?

Senator DOUGLAS. We try to take a national point of view.

Mr. MAHONEY. Yes, sir.

In conclusion, the South African Sugar Association respectfully requests this committee to give the same favorable consideration to South African sugar in its access to the U.S. market which is provided for in H.R. 12154. In return, the South African Sugar Association will use its good offices to attempt to bring about an increase in the importation of U.S. commodities and products to the end that the United States will continue to maintain a favorable trade balance with South Africa.

We submit our case to your enlightened judgment, and thank you very much for the opportunity given us to state our position, sir.

Senator DOUGLAS. Thank you, Mr. Mahoney.

We regret we kept you waiting for so long.

What price does South Africa sell its own sugar in the domestic market?

Mr. MAHONEY. In its domestic market? Let me see, I didn't anticipate that question.

It is over 6 cents, subject to correction. It is 6.4 cents, 6.44.

Senator DOUGLAS. Is that retail?

Mr. MAHONEY. Yes. I have this, which is based on a—I have—this was supplied to me, sir, and it may be subject to some infirmity, but I give it to you. I have the figure 6.44 cents.

Senator DOUGLAS. Is that a retail price or wholesale?

Mr. MAHONEY. Retail price.

Senator DOUGLAS. Retail?

Mr. MAHONEY. Yes, sir.

Senator DOUGLAS. That is about the American price.

Mr. MAHONEY. Yes, this was taken from the U.N. statistics annual.

I might say, too, sir, that I am laboring a little bit under the difficulty, there is a Mr. Clutterbuck, who is the secretary of the association who was to have been on hand and who probably would have the knowledge in depth that was displayed by the Australian earlier, and who I could have called on. I wasn't able to do that, and I have had to get some of this material from secondary sources.

But subject, if there is any possibility, if I need to correct it, I hope I can make that correction.

Senator DOUGLAS. Surely. Of course I would like to point out that the 20,000 permanent quota plus the 100,000 temporary quota, or a total of 120,000 tons, at a subsidy of \$56 a ton above the world price comes to an annual subsidy or premium of \$6,720,000 a year, or a total for the 5 years of \$33,600,000.

Mr. MAHONEY. I would say that was certainly a very respectable figure, Senator Douglas. I would like to hope, too, that while that is the case, that—what was your figure, the final figure?

Senator DOUGLAS. \$6,720,000 a year.

Mr. MAHONEY. That is right.

Senator DOUGLAS. Or \$33,600,000 for 5 years.

Mr. MAHONEY. That is right. During that same 5 years, that \$33 million does loom quite large, and yet during the same 5 years if things keep going as they are that would help a little bit, at least, to redress that, what would amount to \$500 million, almost a half billion dollars trade balance differential during the same time in favor of the United States.

Senator DOUGLAS. Senator McCarthy?

Senator McCARTHY. Does South Africa sell any sugar in the Commonwealth market?

Mr. MAHONEY. They sell sugar to England, yes, Senator McCarthy. They do not sell in the sense of the Commonwealth market, as they are not within the Commonwealth framework any more.

Senator McCARTHY. You receive essentially the same price that the Australians receive?

Mr. MAHONEY. The price we receive is a little more than a cent less than the Australians receive under the Commonwealth Sugar Agreement, about 4.49 cents per pound.

Senator McCARTHY. It is your opinion that the American market is preferable even to the preferred United Kingdom market?

Mr. MAHONEY. Well, I think—I am not sure about is preferable to the United Kingdom market. I think it is a question of lining up side by side. I think my clients feel one would complement the other. They would like to hope to be able to maintain their—some kind of a position with the United Kingdom. They are negotiating to try to hold on. They sell in Canada also, I ought to tell you, and they sell in Canada, but they don't—they are not covered within the preference because of being outside the Commonwealth so they don't get that and they are negotiating on that matter at the moment, I am informed.

Senator McCARTHY. Do you anticipate any significant change in sugar marketing in the event that Great Britain should join the Common Market?

Mr. MAHONEY. Senator McCarthy, I haven't thought that one through, but insofar as South Africa's access to England, to the United Kingdom—

Senator McCARTHY. Or to the Common Market.

Mr. MAHONEY. Well, they are actually not in the Common—

Senator McCARTHY. Are you selling now, trying to get into it?

Mr. MAHONEY. Yes, in the sense of trying to secure access to the trade of the Common Market.

Let me say they have, I am informed, that South Africa has access—to the tune of 150,000 tons—to the British market, the United Kingdom market, for 3 more years. They are not in on the preference that they were, but they have, let me see if I can give you—

Senator McCARTHY. Separate arrangements?

Mr. MAHONEY. Yes, that is right. But it is at a rate that is roughly commensurate with what, I believe, what the United States would be when you take off the tariff. In terms of the current agreement with the United Kingdom, South African producers receive 4.49 cents per pound.

Let me see, to complete the picture, and I think I am right. I am informed that conditions or that contractual relationship or whatever it is, will exist for three more harvests, 3 more years, until 1965-66.

Senator McCARTHY. Do you subsidize your sugar industry in South Africa?

Mr. MAHONEY. Yes, Senator, to the extent, well, I am not sure whether I have answered your question correctly.

The price is—

Senator McCARTHY. The market price or—

Mr. MAHONEY. Not the world market price, therefore, it is—it is not a market price, it is higher than the world market price.

Senator McCARTHY. I don't have any further questions.

Senator DOUGLAS. Thank you very much.

Mr. MAHONEY. Thank you very much.

Senator DOUGLAS. The last scheduled witness is Mr. George Bronz, of the Irish Export Board.

Mr. Bronz, Ireland was the one country that was left out.

STATEMENT OF GEORGE BRONZ, IRISH EXPORT BOARD

Mr. BRONZ. A distinction but a rather dubious one.

Senator DOUGLAS. It receives no permanent quota, temporary quota.

Senator McCARTHY. Not even honorable mention.

Senator DOUGLAS. This is extraordinary to me. In view of the charm of Irish representatives, the high esteem in which we hold the Republic of Ireland, and the great charm and influence of the Irish Americans in this country, it is really extraordinary to me that you are the one country underneath the mistletoe which was not kissed, and I take it that you are here to try to redress this omission.

Mr. BRONZ. You are correct, Senator Douglas, and I hope that I can put forward some reasons that go beyond charm why Ireland should be permitted an opportunity to ship sugar to the United States.

I have prepared a written statement which I filed with the clerk, and I ask that this statement be included in the record without my reading it.

Senator DOUGLAS. That will be done.

Mr. BRONZ. I just want to touch briefly on the principal points involved.

Ireland produces beet sugar. Its production has been growing. It has proved to be an efficient use of resources of land and manpower in Ireland. Those who are concerned with agricultural policy in Ireland consider beet sugar culture a desirable employment of economic resources.

Ireland supplies the home market entirely. It is a protected home market, and homegrown sugar is the sole source of sugar consumed in Ireland.

The price of sugar in Ireland is one of the lowest, very close to the lowest, of any beet sugar growing country in the world. It is 3 cents a pound less at retail than in the United States, and very much less than the prices in the principal beet sugar growing countries in Europe, that is Germany, France, and Italy. In that sense, Ireland is a very efficient sugar producer.

Irish sugar is not being produced as cheaply as cane sugar is being produced in the world today.

Ireland, as I said, supplies its domestic requirements, and, in addition, has been shipping moderate quantities to England. It does not ship any sugar in the open world market at the low so-called world price in competition with cane sugar.

The U.S. market offers an opportunity to Ireland to sell some sugar at a price which will yield to it very close to what it is getting on home sales and on United Kingdom sales, possibly a fraction of a cent higher, but no more.

The United States offers one of the only opportunities in the world for further sales of Irish sugar, because our market conditions here

permit its sale at a compensatory price. That is why Ireland is so eager for an opportunity to sell some sugar in the United States.

Production in Ireland is restricted now by controls on the farmers, on the amount of sugarbeets that may be raised. There is considerably more demand from farmers for the opportunity of growing sugarbeets than it has been possible to satisfy because of limited markets, and, therefore, production is restricted.

Ireland would like the opportunity to permit larger production of sugarbeets and of sugar.

The request we made originally, in terms of the administration bill which fixed a 10,000-ton minimum quantity that could be shipped as refined sugar, was for a quota of 10,000 tons. Ireland probably could ship moderately more than that, but 10,000 tons would be very welcome indeed.

Beet sugar processing is somewhat different from that of cane sugar in that normally there is no intermediate production of raw sugar. Normally, the beets go into the processing plant and come out as refined sugar, and it would be quite uneconomical to interrupt the process and take the sugar out in a raw state. Therefore, the Irish request has been solely for a quota which would permit the shipment of refined sugar.

Ireland is now shipping 5,000 tons to the United States under a quota which was allotted for the first 6 months of 1962, the first, and I believe, the only sugar Ireland has ever shipped to the United States. This quota was allotted in response to an invitation from the Department of Agriculture, for, in effect, the offer of bids for the purchase of additional surplus U.S. agricultural commodities. Ireland submitted a bid for the purchase of corn. While we have not seen any publication of the comparative bids of other countries, it appears, from the figures published, that we made about the best bid of all, or certainly very much above the average bid, and, as a result, we were allotted the 5,000 tons which were requested. That sugar is now coming forward to the United States, and it has been a very welcome opportunity indeed to supply this sugar, and Ireland hopes for an opportunity to supply in the future, and has been asking essentially for the 10,000-ton-per-year allocation.

The House committee nowhere explained in its lengthy report, why Ireland was singled out as the only country that had requested one which was denied a quota. However, there are two provisions in the House bill which would operate to exclude Irish sugar even if a quota were specified in the bill and I think that these two provisions, to which I make reference in my written statement, probably explain the reason why Ireland was singled out for such unfavorable treatment.

The House bill provides that no country may export sugar to the United States unless its aggregate exports equal or exceed its aggregate imports. That provision, essentially, is a very sensible provision. If a country is a net importer of sugar, it is hardly a net supplier to the United States or to anyone else.

Ireland has a considerable manufacturing industry which uses sugar in the manufacture of chocolate and other confectioneries, jams and various prepared food products. Ireland has a provision which is identical, in substance, with that in our own Sugar Act, that you may import sugar outside of the quotas, duty free, in order to incorporate it into manufactured products which are subsequently ex-

ported. Under our act, I can buy sugar anywhere in the world, post a bond, bring it in to the United States, use it in manufacturing some prepared food products which is subsequently exported, and then, when I prove the equivalent sugar has been exported, secure a release from the bond I have posted. Under a similar arrangement, some sugar has been imported into Ireland, but it has been entirely for consumption by manufacturing industries for export. None of the imported sugar is used in Ireland, and none of it is exported to the United States or to the United Kingdom, or to anywhere else as sugar.

It has been the policy of Ireland not to purchase sugar, even for this purpose, even for subsequent reexport, from Cuba, and Ireland is boycotting Cuban sugar just as we are.

Thus the House provision stating that a country may not export to the United States unless its aggregate exports exceed its imports should be modified to take account of the sugar contained in exported manufactured products.

The second provision of the House bill which would also require amendment goes to the question of refined sugar. It forbids any country to ship refined sugar to the United States except to the extent that that country shipped refined sugar in the 3 years 1957, 1958, and 1959. Ireland, of course, shipped no sugar to the United States in those years and, therefore, would not qualify.

The policy of the House committee, evidently, although I don't believe it is stated explicitly, was to remove completely the refined sugar quota that had theretofore been granted to Cuba, to permit the very small quotas other countries had for refined sugar to be continued in the same amount, but not to permit any other refined sugar to come to the United States.

The administration bill, on the other hand, had a 10,000-ton limit, and any country with a small quota, up to 10,000 tons, which is one-tenth of 1 percent of the American market, would be permitted to ship refined sugar. It would be wholly impracticable and uneconomical for Irish sugar to be shipped in raw form, and, therefore, if Ireland was to be granted a quota at all, it would be of no use to it unless it could be filled with refined sugar.

Now, there is one other point in the bill—

Senator DOUGLAS. You, therefore, favor the provision in the administration bill?

Mr. BRONZ. Yes, the provision in the administration bill which would allow 10,000-ton quotas to be shipped refined would take care of our requirements, provided we are assigned a quota.

Senator DOUGLAS. I understand.

Mr. BRONZ. Of course, if we have no quota, we are in difficulty.

There is another provision of the bill which does not relate to the direct quotas at all, and which, so far as I know, has not been discussed by any witnesses here.

It is in identical terms both in the House bill and in the administration bill. It seems to me, Mr. Chairman, that the provision, section 6 of the House bill, is a very bad provision, and I do want to bring it to the attention of the committee.

This provision states that the Secretary of Agriculture shall have authority, if he decides that the sugar contained in any other product is being imported under such circumstances as to threaten the control

system of the Sugar Act, by administrative act, to subject the importation of such products to the sugar regulation; in other words, the sugar contained in such products would be charged against the sugar quotas, and a country, of course, with no sugar quota would not be permitted to bring in any chocolates at all.

Senator DOUGLAS. Would this be true of Swiss chocolates?

Mr. BRONZ. It would exclude Swiss chocolates.

Senator DOUGLAS. And Cadbury and Roundtree chocolate?

Mr. BRONZ. If the Secretary found such products were coming in in such quantities as to threaten the Sugar Act controls.

Now, we have a provision in the Agricultural Adjustment Act, section 22, which has been in the legislation for some 25 years, that provides that if any product is being imported in such quantities as to threaten an agricultural program, there is a regular procedure by which the Secretary of Agriculture may apply to the President, who may, in turn, ask the Tariff Commission to conduct hearings and determine whether, in fact, the importation is threatening to interfere with that agricultural program. That provision is applicable to sugar as well as to any other agricultural product, such as corn or cotton or tobacco.

Through the 25 years that section 22 and the Sugar Act have been on the books, no application has ever been made to the Tariff Commission suggesting that the importation of any product containing sugar is threatening the sugar program.

Now it is suddenly proposed in section 6 of the House bill to take the authority away from the Tariff Commission and to let the Secretary of Agriculture, who in all other cases under section 22 acts as the prosecutor, to be the judge of whether manufactured products coming in include enough sugar to affect adversely the administration of the Sugar Act.

We are interested in this provision particularly for one very small product. However, small quantities of exports bulge very large to a country the size of Ireland.

Ireland produces a product called chocolate crumb, which is a mixture of milk solids, of chocolate, and of sugar. In weight, the sugar is slightly more than 50 percent. In value, the chocolate is slightly more than 50 percent. The milk is about one-third both ways. The quantity is infinitesimal. This product is an intermediate product to the making of chocolate candies. The chocolate crumb is, in turn, further treated and made into the chocolate coating.

About a year and a half ago, the Department of Agriculture published a regulation which purported to so change the milk import control regulations as to make chocolate crumb subject to the milk regulations. We filed a brief setting forth a long argument- and Agriculture withdrew its regulation. The Department confessed there had been an error, it published a statement that the regulation was withdrawn. So we proved to them that chocolate crumb was not milk.

Just about a year later, the Sugar Division of Agriculture published another proposed regulation that would have restricted the importation of chocolate crumb because it is sugar. This time we had to go back and file another brief to prove that the selfsame product was not sugar. The year before we had proved it is not milk.

Agriculture has not taken any action on its latest publication, but I suppose the Department of Agriculture feels that section 6 of the

House bill would accomplish the same purpose as it had sought to achieve by administrative regulation.

I submit, gentlemen, that there is ample authority under section 22 of the Agricultural Adjustment Act for the Tariff Commission to pass upon questions of this sort, and that the Sugar Act should not be the tail to wag the dog of all manufactured products that contain sugar, which means practically all prepared foodstuffs, and I believe some industrial products as well. I think it would involve difficulties with our international trade obligations and our trade policies.

Senator DOUGLAS. Senator McCarthy?

Senator McCARTHY. I don't have any pressing questions.

Would you tell me with reference to the sugar you import and then process and ship out as manufactured products of various kinds, what are some of the products that are involved?

Mr. BRONZ. I believe it is principally chocolate candies. Confectionery products, I think, is the largest category, but there may be other things like cakes and preserves.

Senator McCARTHY. What is the reason, is it a competitive one?

Mr. BRONZ. I suppose so.

Senator McCARTHY. This is cheaper sugar?

Mr. BRONZ. Yes, sir.

Senator McCARTHY. With whom do you compete? What other countries are producing—

Mr. BRONZ. Sell products of that sort?

Senator McCARTHY. Yes.

Mr. BRONZ. I am not an expert on this.

From general knowledge, the United Kingdom, Netherlands, and Switzerland are important confectionery countries.

Senator McCARTHY. Are they all for the most part buying their sugar, the sugar they use for this purpose, in the world market or at the cheapest possible prices as Ireland is?

Mr. BRONZ. Well, the United Kingdom, as you have heard from testimony given earlier today, is paying higher than the low prices.

Senator McCARTHY. Then they wouldn't necessarily be paying it for the sugar they used in this kind of an operation?

Mr. BRONZ. I am not certain. It could very well be that those countries have also made similar provisions to permit exporters to buy low-priced sugar to incorporate into their exported manufactured products.

Senator McCARTHY. Of course, to the extent that this product, when it is shipped into the United States competes with American-made chocolates it is competing with a product, the sugar content of which has been purchased at American prices.

Mr. BRONZ. Yes, that is true. That is an inevitable result of the drawback type of arrangement.

Senator McCARTHY. So far as competition with foreign imports into the United States, you have assumed in most cases they were probably using sugar that was purchased at the lowest possible prices?

Mr. BRONZ. Yes, Senator, and, of course, we have duties on the manufactured products which may have taken into account to some extent the sugar cost factor.

Senator McCARTHY. In your testimony you make reference to how in bidding for a share of the 1962 quota Ireland agreed on extra purchases of agricultural products in quantities far above the average. Who was receiving your bids?

Mr. BRONZ. The Department of Agriculture.

Senator McCARTHY. The Department of Agriculture?

Mr. BRONZ. Yes, Senator.

Senator McCARTHY. In other words, you go in and say, "now, if you give us a quota of sugar." I do not know just what authority the Department of Agriculture has, to negotiate bids of this kind.

Mr. BRONZ. The current sugar legislation gives authority to the Secretary of Agriculture, with the concurrence of the Secretary of State, to allocate the Cuban quota on a discretionary basis. I believe that last year the House Committee on Agriculture adopted a resolution recommending to the Department of Agriculture and the other Government agencies, that they use the authority to allocate sugar quotas to move U.S. surpluses, and I believe the present sugar legislation also says that the administration shall take into account purchases of U.S. agricultural products.

There was a formal announcement, in a public statement, that foreign countries were invited to submit tenders to purchase additional U.S. agricultural products in return for sugar quotas, and formal bids were made, specifying the quantity of sugar desired to be sold, and the quantity of agricultural products desired to be purchased. There were explanations back and forth about precisely what was meant and how the purchases would tie in the agricultural products that are exported under various export subsidy arrangements.

Incidentally, the purchase that Ireland is making of corn is entirely at commercial market prices with no export assistance. Ireland conducts all its trade with the United States on commercial terms. Ireland is getting no assistance of any kind under any of the foreign aid programs.

Senator McCARTHY. What commodities were you offering to buy in greater quantity in exchange for the sugar quota?

Mr. BRONZ. Corn.

Senator McCARTHY. Principally corn?

Mr. BRONZ. Yes, sir; exclusively corn.

Senator McCARTHY. I have no further questions.

Senator DOUGLAS. Thank you very much, Mr. Bronz.

(The statement referred to follows:)

STATEMENT OF THE IRISH EXPORT BOARD ON THE SUGAR BILL, H.R. 12154,
SUBMITTED BY GEORGE BRONZ, COUNSEL

The Irish Export Board, seeking to expand Irish trade with the United States, urges that H.R. 12154 be amended to assign a permanent modest quota for Irish sugar, and to permit continued imports of Irish products containing sugar.

A PERMANENT SUGAR QUOTA FOR IRELAND

The first Irish sugar in history is reaching the United States under a small 1962 quota. Ireland should be allotted a permanent modest quota, because:

1. Ireland, per capita, is one of America's best customers, especially for agricultural products.

2. Ireland is one of the world's most efficient beet sugar producers. Without special subsidy, Ireland's prices are near the lowest, and its consumption near the highest, in the world.

3. Acreage is restricted to home requirements and export opportunities in the United Kingdom and (for the first time, in 1962) the United States. Other markets are either closed or geared to low-priced residual tropical sugar.

4. A permanent modest quota would provide safe nearby supplies, encourage efficient Irish agriculture, strengthen U.S. export markets, especially for agricultural products, and strengthen bonds with a firm friend.

Ireland, almost wholly dependent upon imported sugar before the war, has so improved and expanded its beet culture and processing that it is now in the position of a net exporter of sugar. It has been allotted a quota of 5,000 tons for importation into the United States during the first half of this year, and hopes to be given a permanent position among the suppliers of the United States.

Ireland is now one of the world's most efficient producers of beet sugar. The Irish sugar growers and the Irish sugar industry supply the domestic market profitably at a price far below the domestic price in almost every other sugar-producing country in the world outside of tropical areas. Ireland is consuming today about as much sugar, per capita, as does the United States.

Consumption and price of sugar: Ireland compared with leading Western European producing countries and with United States

	Consumption per capita, 1959	Retail price per pound, Jan. 1, 1960
Ireland.....	101.0	8.7
France.....	74.3	11.5
Germany (West).....	67.5	13.5
Italy.....	45.0	17.6
United States.....	103.8	11.6

Source: U.S. Department of Agriculture, Statistical Bulletin 293, table 86; latest available data.

The growing of sugarbeets holds a high priority in Ireland's agricultural planning, not only because of the efficiency achieved, but also because beet culture as practiced in Ireland is peculiarly adapted to the maintenance of the small family farm. Beet agriculture and beet processing have matured together, a striking example of the type of economic development which offers the greatest promise for raising Ireland's standards of living. The Irish Export Board is grateful to Dr. Leech of the University of California, a leading expert on beet seed treatment, and Mr. Austin Armer, of Davis, Calif., an expert on beet harvesting machinery, whose technical assistance was made available some 10 years ago under the Marshall plan, and whose advice proved to be of major importance in the spectacular success of Irish beet sugar.

Now, Ireland is compelled to restrict beet acreage to keep production within the demands of its domestic market, and of the few opportunities it has to export to the markets which are both open to it and insulated from the very low current prices of residual tropical sugars.

Ireland's beet production pays its own way, with generous margins. Selling at unsubsidized and fully compensatory prices, the Irish sugar industry provides the Irish consumer with sugar at a price among the lowest in the world, outside tropical areas. Ireland has no desire to enter into the scramble to dump residual sugar on the uncontrolled international market, and, therefore, seeks only outlets which can absorb its production at the very modest prices at which it can sell profitably. On this basis, Ireland has been shipping sugar for many years to the United Kingdom market, where it has been possible to realize adequate returns, and, in 1962, was permitted for the first time to ship 5,000 tons to the United States. Ireland hopes that the new sugar legislation will afford it the opportunity to become a steady supplier to this market.

Ireland is one of America's good customers. In recent years, Ireland has been buying about \$50 million of American goods, against \$30 million in trade the other way, a favorable balance for the United States of about \$20 million. All of these purchases are on commercial terms. Ireland has had no foreign aid of any kind for over 10 years. Except for a very small program in the early days of the Marshall plan (including the technical assistance noted above which proved so fruitful for Irish beet culture), Ireland has had no assistance from the United States, and has asked for none.

Over half of Ireland's purchases here have been of agricultural products, notably tobacco (over \$13 million in 1960) and corn (almost \$6 million). Ireland's purchases of American agricultural products alone aggregate almost \$10 per capita, one of the highest figures in the world, and Ireland also purchases almost an equal quantity of manufactured products from the United States.

In bidding for a share of the 1962 quota, Ireland agreed on extra purchases of agricultural products in a quantity far above the average. A release of the Department of Agriculture shows that 154,000 short tons of sugar allotments were made in return for undertakings by eight countries to buy surplus commodities valued at \$21 million, or an average of \$136 per ton of sugar. Ireland's offer was far above this average, and may well have been the best of all.

Like the United States [see Sugar Act sec. 211a], Ireland makes provision for sugar imports outside its controls solely for use in manufacturing for export. The occasional imports of sugar into Ireland reported have been in this category. None of the imported sugar is consumed in Ireland, nor is it exported to the United States. Even for this drawback-type arrangement, Cuban sugar is not eligible, and imports for use in manufactures for export come only from countries to which the United States extends more-favored-nation trade treatment.

The Irish system of sugar production is geared to processing and refining in modern facilities fully able to handle Ireland's beet crop. Therefore, Ireland's interest is in the privilege of shipping direct consumption sugar to the United States. Ireland would be pleased with a quota equivalent to the smallest provided for any country in H.R. 12154 (about 10,000 tons), or could undertake a moderately higher commitment.

The effective allotment of a sugar quota to Ireland requires incidental amendments of H.R. 12154 to insure that (a) sugar imported solely for reexport in the form of manufactures is not so counted as to obscure Ireland's position as a sugar-surplus country and (b) that an alternative historical base for refined sugar imports (January-June 1962) be added. Appropriate language is set forth in appendix A.

IRISH PRODUCTS CONTAINING SUGAR

Section 6 of H.R. 12154 would give the Secretary of Agriculture sweeping powers to expand Sugar Act controls to cover all products containing sugar. Since sugar is an ingredient of almost all processed food products, and many industrial products as well, section 6 carries the potential of subordinating a huge area of U.S. international trade policy to sugar policy.

The immediate interest of the Irish Export Board is in the possible effect of section 6 on the very small trade in an Irish specialty, chocolate crumb. This product, made of chocolate, milk solids and sugar, is an intermediate product used in the manufacture of chocolate-coated candies. Made with whole (rather than skimmed) milk, it is a premium product selling at a premium price. It is a major Irish export to the United Kingdom, Canada, and other countries. It was introduced in the United States, in 1959, and its acceptance here has been slow, as the following table shows:

Chocolate crumb: Irish exports to the United States

	Long tons	Thousands of dollars
1959.....	41	20
1960.....	90	43
1961.....	152	66
1962 (2 months).....	5	2

Source: Irish Trade Statistics.

Ireland's opportunity to sell this tiny volume of chocolate crumb was twice threatened within the past 2 years. In 1960, the Agriculture Department issued a regulation which purported to expand the definition of dairy products subject to import control to include chocolate crumb. We persuaded the Department that the regulation was unauthorized by law, and it was rescinded. Less than a year later, another part of the Department of Agriculture published a proposed regulation which would have subjected chocolate crumb to import control as sugar. Again, a detailed legal memorandum had to be submitted to show that the proposed action was unauthorized by law. Thus, in less than a year, we had to prove to the Department of Agriculture first, that chocolate crumb was not milk, and then that it was not sugar.

Section 22 of the Agricultural Adjustment Act provides that if imports of a product made from an agricultural raw material seem to be impairing the effectiveness of any agricultural program, the Secretary of Agriculture may institute proceedings, and the President may impose appropriate import restrictions, on the basis of a Tariff Commission investigation. Although both section 22 and sugar quota legislation have been in effect for over 25 years, no proceeding has ever been instituted claiming that imports of any product containing sugar interfered with the sugar program. The effect of section 6 would be to bypass this established procedure (applicable to all other agricultural programs) when sugar is involved, and make the Department of Agriculture (which serves as the prosecutor in sec. 22 cases) the judge and jury when sugar is involved.

Chocolate crumb would not even have the benefit of the "grandfather clause" provision of section 6 of H.R. 12154, which establishes a presumption in favor of sugar-containing products imported in 3 of the 5 years prior to 1960. Chocolate crumb was first shipped to the United States in 1959, although it was produced in Ireland, and exported to other markets, long before.

Section 6 should be deleted from the bill. Two alternative amendments are set forth in appendix A, hereto, which would ease the threat to chocolate crumb imports, but it would be far better to delete section 6 entirely, because it is indefensible in principle.

APPENDIX A. PROPOSED AMENDMENTS TO H.R. 12154

1. Page 6, line 2: add "Ireland..... 0.35". (Adjust other percentages to bring total to 100 percent.)
2. Page 10, lines 3 and 23: insert after "United States": "(including sugar contained in manufactured products)".
3. Page 13, line 13, through page 15, line 7, inclusive: delete
 [Alternative A: Page 13, line 16, and page 14, line 2, after the word "mixture", insert: "in chief value of sugar."
 [Alternative B: Page 13, line 20: change "1960" to "1962".]
4. Page 16, line 16: change period to comma, and add: "or double the amount of such sugar entered by such country during the first six months of 1962."
 [Page and line references are to House Union Calendar print of H.R. 12154; Senate print not yet available.]

Senator DOUGLAS. Now, this completes the list of those who have requested to testify. There may be others who would like to testify. Without reflection upon any of the countries who have appeared here, I would like to inquire whether there is anyone from New Caledonia who would like to testify.

Is there anyone from the New Hebrides who would like to testify?

Is there anyone from the Canary Islands who would like to testify?

Anyone from the Azores?

Anyone from Tananarive?

Anyone from Tristan da Cunha?

Anyone from Christmas Island?

Anyone from Norfolk Island?

Anyone from Easter Island?

Senator McCARTHY. Speak now or forever hold your peace.
 [Laughter.]

Senator DOUGLAS. Not hearing any request from these areas, we will declare the hearings closed.

Before adjourning, I place in the record some statistics and an addendum for the information of the committee.

(The matter referred to follows:)

Sugar statistics ¹

Country	Sugar acreage	Percentage of land in 10 largest holdings	Percentage of acreage in U.S. ownership	Mills (number)	Percentage of production in 10 largest mills	Percentage of mill capacity in U.S. ownership	Field hand daily wages
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Peru.....	165,500	(a) Largest, 29 percent; (b) 1st 10, 98 percent.	23 percent.....	14	(a) Largest, 26 percent; (b) 1st 10, 98 percent.	26 percent.....	1959, \$1.20 to \$1.80; 1960, \$1.35 to \$2; 1961, \$1.50 to \$2.25. 1961, 81 cents.
Haiti.....	80,000	(a) Largest, 6 percent; (b) 1st 10, 6 percent.	6 percent.....	3	(a) Largest, 84 percent; (b) 1st 10, 92 percent.	84 percent.....	
Costa Rica.....	81,526	(a) Largest, not available; (b) 1st 10, not available.	Very small.....	33	(a) Largest, 9.7 percent; (b) 1st 10, 61.7 percent.	None.....	1959, \$1.13; 1960, \$1.13; 1961, \$1.13.
Dominican Republic.....	466,000	(a) Largest, 55 percent; (b) 1st 10.	20 percent.....	16	(a) Largest, 60 percent; (b) 1st 10, 100 percent.	32 percent.....	1959, \$1; 1960, \$1; 1961, \$2.
Republic of China.....	225,000	(a) Largest, 30 percent; (b) 1st 10.	None.....	27	(a) Largest, 100 percent; (b) 1st 10.	None.....	1959, 78 cents; 1960, 98 cents 1961, 98 cents.
Mexico.....	790,000	See addendum.....	do.....	71	(a) Largest, 10.6 percent; (b) 1st 10, 50.2 percent.	do.....	1959, 96 cents to \$1.60; 1960, 96 cents to \$1.60; 1961, 96 cents to \$1.60.
Nicaragua.....	56,000	(a) Largest, 24 percent; (b) 1st 10, 49 percent.	6 percent.....	7	(a) Largest, 61 percent; (b) 1st 10, 85 percent.	6 percent.....	1959, \$1.42; 1960, \$1.70; 1961, \$2.13.
Panama.....	43,000	(a) Largest, 7 percent; (b) 1st 10 percent.	None.....	3	(a) Largest, 52 percent; (b) 1st 10, 100 percent.	None.....	1959, \$1 to \$1.25; 1961, \$1.60 to \$1.70.
Philippines.....	616,016		Very small.....	26	(a) Largest, 11.67 percent; (b) 1st 10, 68.14 percent.	See addendum.....	1959, 95 cents; 1960, 84 cents; 1961, 91 cents.
Brazil.....	3,250,000	(a) Largest, 1.2 percent; (b) 1st 10, 6.5 percent.	None.....	302	Largest, 2.2 percent; 1st 10, 16 percent.		1959, \$1.05; 1960, \$1.67; 1962, \$1.51.
Argentina.....	537,500		Small if any.....	36	Largest, 16 percent; 1st 10, 75 percent.	Small if any.....	1959, \$1.47; 1960, \$1.46; 1961, \$1.97.
Ecuador.....	48,370	(a) Largest, 45.8 percent; (b) 1st 3, 100 percent.		4	Largest, 53.5 percent.		1959, \$1.45; 1960, \$1.45; 1961, \$1.21.
Guatemala.....	75,000	(a) Largest, 3.3 percent; (b) 1st 10, 19.8 percent.	Very small.....	10	Not available.....	Very small.....	1959, 80 cents; 1960, 80 cents; 1961, 80 cents.
British West Indies:							
Barbados.....	60,000	(a) Largest, 3.5 percent; (b) 1st 3, 9.4 percent.		16	Largest, 8.5 percent; 1st 10, 67 percent.		1959, \$2.25; 1960, \$2.46; 1961, \$2.70.
Trinidad.....	95,000	(a) Largest, 33.7 percent; (b) 1st 3, 55.9 percent; (c) peasants, 44.3 percent.		6	Largest, 42 percent.		1959, \$1.72; 1960, \$2; 1961, \$2.17.
Jamaica.....	202,000	(a) Largest, 13.4 percent; (b) 1st 10, 47 percent.	4.4.....	18	Largest, 19.2 percent; 1st 10, 78 percent.	4.4.....	Not available.

¹ Source: U.S. State Department, at request of Senator Douglas.

ADDENDUM

PERU

2. Ten largest holdings in percent: 29, 12, 11, 11, 10, 7, 7, 5, 5, 1.
3. U.S. acreage: 18 percent:¹ W. R. Grace, two haciendas; 5 percent: Nepena SA, one hacienda (now 54 percent United States, being reorganized to 77 percent United States, principally Transoceanic-AOFC, J. Henry Schroder Banking Corp., and Wood Struthers group).
5. Ten largest mills in percent: 26, 14, 11, 11, 11, 7, 7, 5, 5, 1.
6. U.S. mills: 21 percent:¹ W. R. Grace, two mills (processes for others; Grace share 16.5 percent of total); 5 percent: Nepena SA, one mill.
7. American company reports average daily wage at \$3 including overtime and fringe benefits.

HAITI

2. and 3. American firm, Hasco, owns 5,000 acres and leases an additional 5,000 acres. Remainder held by small growers.
5. Largest mills: 84 percent, Hasco; 14 percent, Dessalines; 2 percent, Larve.
6. Hasco entirely U.S. owned; Dessalines owned by Haitian Government; Larve reportedly not Haitian-owned.
7. Hasco pays canecutters US\$0.50 per ton; average hourly earnings US\$0.09.

COSTA RICA

2. Data not available. Agricultural census of 1955 (latest) reported that of 13,384 farms showing cane production, 21 had 170 acres or more of cane.
3. No U.S. citizen ownership of large acreage.
5. Ten largest mills in percent: 9.7, 8.7, 8.4, 7.3, 5.4, 4.7, 4.5, 4.5, 4.5, 4.
7. Legal minimum wage is 7.50 colones per 8-hour day.

DOMINICAN REPUBLIC

2. and 3. Largest acreage: 55 percent, Azucarera Haina (Government owned); 20 percent, La Romana (U.S.-South Puerto Rico Sugar Co.); 5 percent, Vicini; 20 percent, independent growers.
5. Largest mills: 60 percent, Azucarera Haina (12 mills); 32 percent, La Romana (1 mill); 8 percent, Vicini (3 mills).
6. La Romana owned entirely by South Puerto Rico Sugar Co.

REPUBLIC OF CHINA

2. Government-owned Taiwan Sugar Corp. is sole sugar producer with 30 percent of acreage; balance is owned by private farmers under contract to TSC.
5. All TSC; 29 private mills produce 21,000 tons noncentrifugal brown sugar not included in international sugar conference considerations.
7. NT\$31 per day and NT\$39 per day for 1959, 1960, and 1961, respectively

PHILIPPINES

1. Centrifugal sugar.....	542, 706
Noncentrifugal sugar.....	73, 310
Total.....	616, 016

	Percent of total	Percent United States
5. and 6. Factory:		
Victorias.....	11.67	40.33
Binalbogan Isabela.....	11.56	
La Carlota.....	7.22	
Hawaiian-Philippine.....	6.28	97.00
Bacolod-Murcia.....	5.87	
Pasudeco.....	5.63	
Tailsay-Silay.....	5.36	
Macao.....	4.95	6.00
Tarlac.....	4.81	10.00
Del Carmen.....	4.79	
Total.....	68.14	

¹ See testimony of W. R. Grace Co. representatives for their comment on these figures.

7. Daily minimum is 2.5 pesos (1 peso equals 36 cents) actual payments range from 1.8 pesos to 2.8 pesos, with a few piece rate cutters earning 5 pesos.

	<i>Pesos</i>
1959.....	1. 80-1. 90
1960.....	2. 00-2. 10

Export exchange rate used in conversion.

PANAMA

2. The two largest mills own 7 and 3 percent, respectively; acreage owned by remaining eight largest producers is unavailable.

4. Two mills producing; one mill shut down.

5. Two producing mills refine 52 and 48 percent, respectively, of total sugar production.

NICARAGUA

1. 1961-62 acreage increased 17,375 acres over 1960-61.

2. Landownership:

	<i>Percent</i>	<i>Percent United States</i>
Nicaraguan Sugar Estates.....	24	25
Somoza family.....	14	---
El Polvon group.....	5	---
Lacayo Montealegre.....	3	---
Ingenio Amalia.....	2	---
Domingo Rivas.....	1	---
Remainder held by small growers.		

5. Centrifugal sugar mill production:

	<i>Percent</i>
Nicaraguan Sugar Estates.....	61
Somoza mills (3).....	27
Lacayo Montealegre.....	8
Amalia.....	3
Monte Libano.....	1/2

7. Export exchange rate used (1 córdoba equals 1.24 cents US):

	<i>Without cents</i>
1959.....	10
1960.....	12
1961.....	15

MEXICO

2. According to the Agrarian Reform Code and article 27 of the Mexican Constitution, the largest private holdings in excess of 300 hectares (741 acres) is subject to expropriation if claimed legally; virtually all of the large sugarcane holdings have been expropriated.

A 1961 study showed that 66 percent of the total production came from farms with less than 7 acres planted; the average holding for canegrowers is less than 10 acres.

5.	Mill	State	Production (tons)	Percent Total
	San Cristobal.....	Veracruz.....	146,252	10.6
	E. Zapata.....	Morelos.....	76,085	5.5
	El Mante.....	Tamaulipas.....	70,814	5.1
	Xicotencatl.....	Tamaulipas.....	66,641	4.8
	El Potrero.....	Veracruz.....	62,541	4.5
	Los Mochis.....	Sinaloa.....	62,484	4.5
	Rosales.....	Sinaloa.....	56,047	4.0
	Independencia.....	Veracruz.....	55,909	4.0
	Atencinro.....	Puebla.....	55,245	4.0
	Tamazula.....	Jalisco.....	44,619	3.2
	Total for mills.....		696,637	50.2
	Total for country.....		1,387,794	100.0

BRAZIL

Item 2. Ten largest holdings in percent: 1.2, 0.8, 0.7, 0.7, 0.7, 0.6, 0.6, 0.4, 0.4, 0.4.

Item 5. Ten largest mills in percent: 2.2, 1.8, 1.8, 1.7, 1.6, 1.6, 1.5, 1.3, 1.3, 1.2.

ARGENTINA

Sugar production (1958)

	<i>Percent production</i>
2. Ledesma.....	5.6
San Martin.....	5.1
La Esperanza.....	3.9
Bella Vista.....	2.6
Concepción.....	2.1
Río Grande.....	1.8
Las Palmas.....	1.5
Mercedes.....	1.5
San Pablo.....	1.4
Los Rales.....	1.3
Total.....	26.8
5. Concepción.....	8.6
Ledesma.....	7.1
La Esperanza.....	5.2
San Martin.....	5.1
Belle Vista.....	4.4
La Trinidad.....	3.7
La Florida.....	3.3
San Pablo.....	3.3
San Ana.....	3.3
Los Ralos.....	2.9
Total.....	46.9

ECUADOR

1. Total area in sugarcane is 111,195 acres, of which only 48,370 acres are devoted to sugar production. Remainder planted in panela and aguardiente for domestic consumption.

2. Commercial sugarcane producers:

	<i>Percent</i>
San Carlos.....	45.81
Azucarera Valdez, S.A.....	51.07
La Familiar.....	3.12

4. The three sugar enterprises operate their own mills.

5. Mill production:

	<i>Percent</i>
San Carlos.....	53.51
Valdez.....	43.45
La Familiar.....	3.04

GUATEMALA

	<i>Percent</i>
2. Pantaleon.....	3.27
El Baul.....	2.54
Los Tarros.....	2.30
San Victor.....	2.30
Los Cerritos.....	2.07
El Salto.....	1.92
Concepcion.....	1.73
Torolita.....	1.38
Tulula.....	1.27
Velasquez.....	.98
Total.....	19.8

6. Only known citizenship is in El Salto in which Dorion family owns more than 50 percent and John Armstrong a small holding.

BARBADOS

2. Two largest each hold 3.5 percent and third holds 2.4 percent of acreage.
 5. Largest mills, in percent: 8.45, 7.17, 6.81, 6.67, 6.55, 6.48, 6.41, 6.34, 6.32, 5.82.

TRINIDAD

	<i>Percent</i>
2. Caroni, Ltd.	33.7
Ste. Madeline Sugar Co.	17.2
Trinidad Sugar	4.0
Forres Park, Ltd. ....	.8
Peasants Farmers	44.3
5. Brechin Castle	42.18
Ste. Madeline	30.14
Woodford Lodge	11.85
Orange Grove	6.52
Reform	5.26
Forres Park	4.05

KINGSTON

	<i>Percent</i>
2. Proportion of Cane Corp.:	
West Indies Sugar Co., 2 largest	22.5
U.S. Mill/Estate, Bernard Lodge	4.4
Other 7 average between 2 and 3.2 percent.	

5. WISCO's two largest, 34.1 percent; three produced, 6.7 percent; four produced, 5.0 percent; one produced, 3.8 percent.

(Whereupon, at 2:35 p.m., the hearings were concluded.)

