

## SUGAR ACT AMENDMENTS OF 1962

JUNE 26, 1962.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 12154]

The Committee on Finance, to whom was referred the bill (H. R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, having considered the same, report favorably thereon with amendments, and recommend that the bill as amended do pass:

#### PURPOSE

The purpose of the bill, as reported, is to maintain a healthy and competitive domestic sugar industry; to assure adequate sugar supplies to consumers at reasonable prices; to extend the act for 5 years, to June 30, 1967; to increase quotas for domestic producing areas and provide for production in new areas; to establish quotas for foreign suppliers and provide for the temporary filling of the quota reserved for Cuba subject to the payment of a fee approximately equal to the difference between the world market price and the domestic price of sugar; and to provide for the establishment, on a graduated basis of a fee levied on all other imports except those from the Republic of the Philippines, to become fully effective after 1965.

#### PURPOSE OF THE AMENDMENTS

The bill was amended by striking all after the enacting clause and inserting the text of S. 3290 as modified by the following changes:

1. The new-producer sugarbeet area allocation of 50,000 tons was raised to 65,000 tons with the provision that the annual accumulation above that necessary to create one new mill be held in reserve and not allocated until sufficient has accumulated for an extra new mill: 65 percent of the increase in annual domestic consumption is to be assigned to domestic producers of beets and cane.

2. Ten thousand tons of foreign-quota direct consumption sugar would be placed in reserve to be allocated at the discretion of the Secretary of Agriculture without regard to past participation in United States quotas. This would be affected by the gradual application of import fees the same as other sugar.

3. The term "alcohol" was defined in the section of the Act which provides that sugar used in the manufacture of alcohol be exempt from the quota provisions.

4. The amount of direct payments to United States growers of sugar was reduced.

#### GENERAL STATEMENT

The bill, as reported, would extend the act for 5 years to June 30, 1967, and would become effective January 1, 1962, except for sections 6 and 12 which would become effective as provided in regulations implementing such provisions, or 60 days after enactment, whichever is earlier and section 14 which would become effective beginning with the 1963 crop.

Section 2 would provide that the Secretary of Agriculture, in determining sugar requirements for each year, would consider the relationship which would result between the price for raw sugar and the parity index as compared to the relationship between average raw sugar prices and the parity indexes for the period 1957 to 1959, inclusive. The term "parity index" is determined under section 301 of the Agricultural Adjustment Act of 1938 as published monthly by the U.S. Department of Agriculture.

Section 3 would increase the quotas for domestic sugar-producing areas. Current levels indicate a consumption rate of about 9.7 million tons annually, with an estimated annual increase in consumption of about 160,000 tons. The bill as reported would assign to domestic producing areas 65 percent of this annual increase. The present share in the annual increase in consumption granted to domestic areas is 55 percent. The domestic areas' 65 percent of market growth, approximately 104,000 tons, would be prorated to mainland beet and mainland cane producing areas.

The basic quotas assigned to domestic areas would be increased by 623,500 tons as indicated in the following comparison of existing quotas with those which would be granted under the bill.

[Short tons, raw value]

Area	Present legislation	H. R. 12154 as reported
Domestic beet sugar.....	2, 110, 627	2, 650, 000
Mainland cane sugar.....	649, 460	895, 000
Hawaii.....	1, 117, 936	1, 110, 000
Puerto Rico.....	1, 231, 682	1, 140, 000
Virgin Islands.....	16, 795	15, 000
Total.....	5, 136, 500	5, 810, 000

The bill would also provide that in a year immediately following a year when production in Hawaii, Puerto Rico, or the Virgin Islands exceeded the sum of its basic mainland and local quota, any of those areas would have its quota increased to the extent of such excess production, but not in excess of the quota that would have been established for such area under the provisions of the act prior to the adoption of this bill. Any increase that might take place in the quotas of these areas would be taken from the quota for foreign countries, other than the Philippines, and not from other domestic quotas.

Under this section foreign importations would be divided by granting to the Republic of the Philippines a quota of 952,000 tons, ten per cent,

with the balance of the foreign allocations prorated among foreign countries which have quotas under the current act. The foreign allocations would be based on quotas under present legislation at the requirement level of 9.7 million tons, except that Cuba's share has been reduced to accommodate the increases for domestic areas, and the five smallest country prorations are continued in the same fixed amounts as at present.

It is provided that, when we are not in diplomatic relations with Cuba or any other country, the sugar represented by that country's proration would be authorized for acquisition, subject to payment of a fee, from foreign countries other than those excluded by the President in the national interest or those with which we do not maintain diplomatic relations.

The quotas for foreign countries other than the Republic of the Philippines, less 709 tons for 1962 and 1,416 tons for 1963 (these sums allocated to Canada, United Kingdom, Belgium, British Guiana, and Hong Kong) and less 5,000 tons for 1962 and 10,000 tons for 1963 are prorated as follows:

Cuba.....	88.85	Netherlands.....	0.14
Peru.....	3.73	China.....	.14
Dominican Republic.....	3.31	Panama.....	.14
Mexico.....	2.75	Costa Rica.....	.14
Nicaragua.....	.54		
Haiti.....	.26	Total.....	100.00

Under section 3 of the bill the Secretary of Agriculture is authorized to allocate to foreign countries other than those receiving allocations under subparagraphs A and B of this section, an amount of sugar not exceeding 10,000 tons per year. Any foreign country or countries to which such allocation is made shall be permitted to import into the continental United States the amount of sugar allocated to it or them by the Secretary. This reserve may, under the other provisions of the act, be allocated and imported as direct consumption sugar. The Secretary is not required to make allocations under this subsection, but he may assign such parts of the reserve to such foreign country or countries which do not presently have quotas under subparagraphs A and B as he deems advisable.

Section 4 of the bill provides that a deficit in the quota for any domestic area or foreign country would be prorated, in accordance with their basic quotas or prorations, to quota countries with which we maintain diplomatic relations and which are able to fill such deficit. If the quota countries cannot fill all of such deficit the remainder would then be apportioned by the Secretary to nonquota countries—except that when we are not in diplomatic relations with Cuba or any other quota country, that remainder of the deficit would be authorized for acquisition, subject to the payment of a fee, from foreign countries. (The details of this fee are outlined in the discussion of sec. 12.)

Section 5 assures a marketing opportunity for new factories processing sugarbeets grown in new areas during the period when such factories are establishing their marketing history. Under it the Secretary is authorized in making 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 to serve farms having a substantial acreage for the first time, to take into consideration the need of establishing an

allotment which will permit such marketing of sugar as is necessary for operation of the new plant.

Section 6 would provide that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation, unless the Secretary finds that importation will not substantially interfere with the attainment of the objectives of the act. Furthermore, the Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with the attainment of the objectives of the act.

This section is aimed at preventing abuses and is not intended to cause undue hardship or change the patterns of established trade. Foreign suppliers and domestic purchasers of foreign products will likely find the administration of this section to their advantage rather than to their hurt so long as the trade involved is not of such a nature to disturb or conflict with the proper administration of the Sugar Act.

Section 7 would provide limitations on direct-consumption sugar. For Hawaii, Puerto Rico, the Republic of the Philippines, and foreign countries with quota proration of not more than 10,000 tons such limitations are substantially the same as in present legislation. The quota for Hawaii would be an amount not to exceed 0.342 percent of national sugar requirements; that for Puerto Rico 1.5 percent; Republic of the Philippines not more than 56,000 tons of that country's total quota. It would limit to 250,000 tons the direct-consumption sugar which may be entered within the proration for Cuba when Cuba's quota is operative. It would also limit to 1.36 of the quota for foreign countries other than the Republic of the Philippines, the direct-consumption sugar which may be entered within the proration of such foreign countries (other than Cuba) which have proration of more than 10,000 tons.

Section 8 would provide a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses. This quota is not assigned directly to any particular country, and consists of not more than 2 million gallons containing soluble nonsugar solids of more than 5 percent of the total soluble solids. The President is authorized to prohibit such importations from any foreign country which he shall designate when he finds and proclaims that such action is required in the national interest.

Section 9 would prohibit the importation into the Virgin Islands of any sugar not produced in domestic areas.

Section 10 requires that sugar brought into the continental United States within the quota for the Virgin Islands must have been produced within the Virgin Islands. Any sugar originating elsewhere, but transshipped from the Virgin Islands to the continental United States could not enter under the quota. Without this section the circumvention of the quota system might be encouraged.

Section 11 amends the basic act to clarify the definition of the term "alcohol." The act specifically exempts from all quotas the sugar imported for use in the manufacture of alcohol. When this exemption was made a part of the act, the common reference to alcohol was in terms of ethyl alcohol only. Since that time other types of alcohols have developed as market products which, although in the same general category as ethyl alcohol, create a classification problem. In

order to clarify this situation the reference in the act to "alcohol" was defined to read "alcohol, including all polyhydric alcohols."

Polyhydric alcohols are used primarily in the production of such commodities as glycerin, certain types of antifreeze and other items.

Section 12 would require the payment of a fee as a condition for the importation of any sugar acquired in replacement for that which would have been within the proration for Cuba (or any other foreign country which may have had a proration but with which we are not in diplomatic relations). The amount of the fee on such sugar would be established by the Secretary of Agriculture and adjusted from time to time to approximate the amount by which the domestic sugar price (at a level which achieves the objectives of the Sugar Act) exceeds the foreign market price for such sugar.

Section 12 would also provide that a fee be paid as a condition for importation of sugar within the quota for foreign countries other than the Republic of the Philippines by all those countries having prorations, at the rate of 20, 40, 60, 80, and 100 percent of the full fee in 1962, 1963, 1964, 1965, and after 1965, respectively.

Section 13 would provide that in any year when production is restricted in the beet sugar area, a national reserve of not more than the acreage required to yield 65,000 tons of sugar be assigned to farms on a fair and reasonable basis without regard to any previous production history, for the purpose of making acreage available for expansion of the beet sugar industry. It would clarify the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operators in lieu of or in addition to the sugar beet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962.

The bill provides for added domestic participation in the supplying of the U.S. market. The desire to produce sugar crops has grown with the growing market and the bill as reported would provide for growth and expansion of the sugarbeet and sugarcane production in the United States.

Under the terms of the bill, the Secretary would, in order to make available acreage for growth and expansion of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement established by him, the acreage required to yield 65,000 tons, raw value of sugar. On the basis of the national average yield of 2½ tons of sugar per acre, this provision would permit the Secretary to establish a sugarbeet acreage reserve of 26,000 acres. In areas where the sugar yield per acre is higher than the national average, the sugarbeet acreage might be somewhat less. In any event, regardless of the sugar yield per acre of any area to which the sugarbeet acreage reserve might be distributed, such area will have an opportunity to produce enough sugarbeets to support the operation of a sugar plant having a production capacity of about 1 million hundred-pound bags of refined sugar.

It has been ascertained that an efficient mill can be operated on the basis of about 1 million hundred-pound bags of refined sugar which, on the average, would come from 50,000 tons, raw value, of sugar which, in turn, would be produced on 20,000 acres of average land. The bill,

as reported, would, therefore, cause the accrual of some 6,000 acres per year over and above that necessary for the establishment of one efficient factory per year. Thus, at the end of 3 years the Secretary would be able to allow or provide for the establishment of an extra new factory.

The average production of the 61 sugarbeet plants in the United States is less than 800,000 hundred-pound bags of refined sugar. The provision for one new factory each year could be made by reserving 20,000 acres each year for new beet production and the bill, as reported, would provide for 65,000 tons of new production each year which would be grown on 26,000 acres. At the end of 3 years the Secretary would have approximately 18,000 acres capable of producing 45,000 tons of sugar to allocate to a new area where an extra mill could be established.

Under the bill as reported the sugarbeet acreage reserve is to be distributed by the Secretary, after investigation and notice and opportunity for public hearing, on a fair and reasonable basis to farms without regard to other acreage allocations to States or areas within States. The sugarbeet acreage reserve is available for distribution to new growers supplying a new factory in a new area. The language of the bill assures that the Secretary of Agriculture, in distributing the sugarbeet acreage reserve will give priority to new growers for a new factory over new growers for an expanded old factory. The Secretary must not assign any of this reserve to old areas unless he determines that the reserve, or portion thereof, cannot be assigned cumulatively, for the life of this extension, to prospective new areas for new mills. When the reserve beyond that needed for one factory per year reaches the point where an extra factory might be provided in any one year, the Secretary will take into account all the relevant facts and decide which growing group has the more valid claim. The Secretary's decision in any one year would, of course, be entirely without prejudice to the position of any group that had not been successful in acquiring a priority.

The bill does not undertake to define a new area. The Secretary, with all the facts of the immediate time of the consideration before him, will make such a decision. It may be assumed that the Secretary will formulate a workable definition. It would appear that a new area should not be compelled to show that no sugarbeets at all are now being raised, as there may be qualified areas where a few farmers have had some small sugarbeet history with beet shipments being made over great distances to be processed with the grower absorbing part of the freight charges. On the other hand, an area in which sugarbeet raising is and has been an important and significant part of agriculture might not qualify as a new area.

The growth and expansion of the beet-sugar industry is also possible through increases in the capacities of existing plants. The bill expands the share of the market growth allocated to domestic producers of beets and cane to 65 percent. The growth factor is such that approximately 160,000 tons of sugar are consumed each year over and above that consumed in the prior year. Thus, 65 percent reserved for new production in the United States would provide for 104,000 tons more for domestic production, cane and beet, new and old.

On the present basis of three-fourths of the growth factor assigned to domestic areas being given to beet areas and one-fourth to cane areas, this would provide 78,000 tons to beets and 26,000 to cane.

Of the beet allotment, 65,000 tons would be reserved for new areas, which leaves 13,000 tons per year to be assigned principally to established growers presently producing beets.

Section 14 would decrease the payments under the Sugar Act to domestic growers. Section 304 of the act sets the base rate of direct payments to 80 cents per hundred pounds of sugar or liquid sugar, raw value. The total payment to a farmer or grower is the product of the base rate multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payments is to be made, except that reduction is made from such total payment for some of the production on the larger farms in accordance with a graduated scale of reductions. The scale of reductions under present law are as follows:

Production per farm in hundredweights of sugar:	Present law
Less than 350.....	None
350 to 700.....	\$0. 05
700 to 1,000.....	. 10
1,000 to 1,500.....	. 20
1,500 to 3,000.....	. 25
3,000 to 6,000.....	. 275
6,000 to 12,000.....	. 30
12,000 to 30,000.....	. 325
More than 30,000.....	. 50

Section 14 of the bill, as reported would set the new scale for reductions as follows:

Production per farm in hundredweights of sugar:	Present law
Less than 350.....	None
350 to 700.....	\$0. 10
700 to 1,000.....	. 20
1,000 to 3,000.....	. 30
3,000 to 6,000.....	. 40
6,000 to 12,000.....	. 50
More than 12,000.....	. 60

The following table gives selected data for domestic sugar-producing areas, on acreage, production, quotas, and payments, 1955 to 1961.

*Selected data for domestic sugar producing areas, on acreage, production, quotas, and payments, 1955-61*

(All tons are raw value)

Domestic area and crop year	Acreage harvested for sugar <sup>1</sup>	Yields of sugar per acre harvested	Production of sugar	Quota charges	Unfilled quota		Jan. 1 effective inventory	Rate of Sugar Act payments per ton of sugar
					Basic	Adjusted		
<b>Sugar beet:</b>	<i>1,000 tons</i>	<i>Tons</i>	<i>1,000 tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>1,000 tons</i>	
1955.....	744	2.33	1,730	1,797,327	2,673	2,673	1,658	\$16.52
1956.....	780	2.50	1,971	1,955,252	0	149	1,547	15.87
1957.....	882	2.51	2,213	2,065,687	9	5,007	1,529	16.43
1958.....	895	2.47	2,214	2,239,852	0	52,636	1,669	16.38
1959.....	898	2.58	2,303	2,241,164	0	26,501	1,638	16.89
1960.....	962	2.47	2,474	2,164,692	102,609	350,253	1,696	16.32
1961 (estimated).....	1,090	2.26	2,458	2,608,000	0	1,170	2,005	16.47
<b>Mainland sugarcane:</b>								
1955.....	267	2.14	573	498,797	1,203	1,203	306	13.50
1956.....	233	2.39	557	601,369	0	327	465	13.18
1957.....	259	2.05	531	635,685	0	1,487	343	13.67
1958.....	254	2.28	578	650,552	0	40,253	244	12.80
1959.....	296	2.08	615	577,595	51,204	120,188	140	12.83
1960.....	304	2.07	630	619,047	78,623	154,826	177	12.97
1961 (estimated).....	331	2.54	840	750,000	0	0	185	13.14
<b>Puerto Rico:</b>								
1954-55.....	361	3.23	<sup>2</sup> 1,166	1,079,562	438	438	163	13.91
1955-56.....	353	3.26	<sup>2</sup> 1,152	1,134,769	5,484	6,329	138	13.85
1956-57.....	362	2.73	990	912,571	224,410	7,429	44	14.83
1957-58.....	328	2.85	934	823,034	343,341	0	8	14.47
1958-59.....	344	3.16	1,087	957,853	234,645	12,027	7	13.68
1959-60.....	328	3.11	1,019	895,784	427,327	0	12	13.24
1960-61 (estimated).....	340	3.26	1,110	980,000	290,865	0	24	14.00
<b>Hawaii:</b>								
1955.....	106	10.75	1,140	1,052,004	0	0	6	9.21
1956.....	107	10.28	1,100	1,091,282	0	28	49	9.25
1957.....	107	10.14	1,085	1,036,763	50,610	23,237	14	9.26
1958.....	94	9.11	765	630,175	431,304	69,825	18	9.71
1959.....	110	8.86	975	976,845	163,617	1,125	114	9.53
1960.....	104	9.00	936	844,788	420,587	95,650	78	9.33
1961 (estimated).....	110	9.93	1,092	1,045,000	170,410	0	122	9.32
<b>Virgin Islands:</b>								
1955.....	5	2.14	10	9,942	2,058	558	.....	13.28
1956.....	5	2.69	13	12,535	0	0	.....	12.97
1957.....	5	3.05	15	14,753	796	0	.....	12.80
1958.....	4	1.36	6	6,093	9,812	7	.....	20.89
1959.....	4	2.08	12	12,302	3,059	103	.....	13.06
1960.....	4	1.67	7	6,954	11,089	1,684	.....	17.92
1961 (estimated).....	5	3.68	17	10,184	1,146	1,146	.....	13.07
<b>All domestic areas:</b>								
1955.....	1,483	3.11	4,618	4,137,632	6,368	6,368	2,193	13.77
1956.....	1,487	3.22	4,793	4,795,207	6,293	6,293	2,109	13.51
1957.....	1,615	2.99	4,834	4,665,459	122,291	37,160	1,933	14.18
1958.....	1,605	2.87	4,497	4,379,706	531,794	151,687	1,937	14.34
1959.....	1,652	3.03	4,992	4,765,759	255,741	159,939	1,892	14.25
1960.....	1,792	2.93	5,060	4,831,265	1,040,235	600,235	1,963	14.11
1961 (estimated).....	1,876	2.94	5,517	5,399,184	0	0	2,336	14.01

<sup>1</sup> National acreage allocations in years when production was restricted, with acreages planted in parentheses were as follows: Domestic beet sugar area—1955, 850 (793); 1956, 850 (823); 1957, 959 (912); 1958, 935 (927); 1959, 925 (821); 1960, 935 (960); mainland cane sugar area (for sugar and seed)—1955, 299 (235); 1956, 259 (253); 1957, 293 (231); 1958, 292 (276); 1959, 314 (314); 1960, 336 (336).

<sup>2</sup> Individual farm proportionate share established in hundredweight of sugar totaled 1,211,000 tons for 1954-55 crop and 1,222,000 tons for 1955-56 crop.



Sections 15 through 20 contain technical amendments to various parts of the Sugar Act necessary to the operation of the act under the legislation proposed in the bill as reported.

The committee urges the adoption of the bill.

#### CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

