

# SUGAR PRICES

copy 1  
1565-1

HEARINGS  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
EIGHTY-EIGHTH CONGRESS  
FIRST SESSION

MAY 29 AND JUNE 3, 1903

Printed for the use of the Committee on Finance



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1903

99720

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Washington 25, D.C. - Price 35 cents

## COMMITTEE ON FINANCE

HARRY FLOOD BYRD, Virginia, *Chairman*

RUSSELL B. LONG, Louisiana

GEORGE A. SMATHERS, Florida

CLINTON P. ANDERSON, New Mexico

PAUL H. DOUGLAS, Illinois

ALBERT GORE, Tennessee

HERMAN E. TALMADGE, Georgia

EUGENE J. MCCARTHY, Minnesota

VANCE HARTKE, Indiana

J. W. FULBRIGHT, Arkansas

ABRAHAM RIBICOFF, Connecticut

JOHN J. WILLIAMS, Delaware

FRANK CARLSON, Kansas

WALLACE F. BENNETT, Utah

CARL T. CURTIS, Nebraska

THRUSTON B. MORTON, Kentucky

EVERETT MCKINLEY DIRKSEN, Illinois

ELIZABETH B. SPRINGER, *Chief Clerk*

## CONTENTS

	Page
Letter of Hon. Mike Mansfield to chairman.....	1
Statement and exhibits of Charles S. Murphy, Under Secretary of Agriculture; accompanied by John C. Bagwell, General Counsel; and Lawrence Myers, director, sugar policy staff.....	2
Adjusted quotas for domestic producing areas.....	7
Centrifugal sugar production (raw value).....	76
Charges to calendar year 1963 sugar quotas and indicated additional arrivals from foreign countries by month of expected arrival, c.o.b. May 23, 1963.....	9
Comparison of Sugar Act payments at proposed rate of payment with actual 1960 data.....	68
Costs to domestic taxpayers of direct payments to producers of sugar crops and estimated cost to consumers of premium price paid for imported sugar.....	63
Domestic sugar-producing areas—determination of average Sugar Act payment per farm, 1960 crop.....	46
Estimated average Sugar Act payment per farm according to size of farm, 1960 crop.....	44
Letter of James L. Sundquist to chairman.....	89
Price of sugar in relation to prices of all foods and per capita distribution of sugar, 1860 to date.....	
Prices of sugar, of all foods, and of all items.....	64
Programs on other commodities where a subsidy was paid to all producers of a commodity when the market price for that commodity was above the support level.....	65
Refined sugar prices, and index of all food prices, at wholesale in the United States annually, 1860 to date.....	64
Sugar Act payments for large producers, 1960 crop.....	45
Sugar Act tax collections, 1938 to date.....	61
Sugar quotas for foreign countries and indicated additional offerings, calendar year 1963, and charges to quotas by countries c.o.b., May 23, 1963.....	8
Total Sugar Act payments to producers of sugar crops, 1937 to date..	61
World trade in sugar in metric tons per year.....	90

### COMMUNICATIONS

Bow, Hon. Frank T., a Representative in Congress from the State of Ohio, letter to chairman.....	122
Myers, Lawrence, director, sugar policy staff, U.S. Department of Agriculture, letter to Hon. Everett McKinley Dirksen.....	35
The Biscuit & Cracker Manufacturers' Association of America, letter and enclosure of Joseph M. Creed, general counsel, Chicago, Ill., to chairman..	121

### ADDITIONAL INFORMATION

Beet production and beet marketings.....	23
Calendar year sugar quotas and allocations, and imports charged thereto, January to May, inclusive, 1962 and 1963.....	75
Futures prices.....	51
Letter of Hon. Eugene J. McCarthy to Hon. Charles S. Murphy, Under Secretary of Agriculture, Department of Agriculture, and reply thereto..	96
Prices in effect on May 27, 1963, in the various territories in which both beet and cane are sold.....	24
Quota system.....	109
Sugar imported from selected countries, January to May, 1962 and 1963..	80

Sugar futures: Daily volume of trading and open contracts, in domestic contract No. 7, and world contract No. 8, and spot sugar prices, New York Coffee and Sugar Exchange, January 2, to May 31, 1963 .....	Page 86
Sugar futures: Monthly volume of trading, domestic contract No. 7, and world contract No. 8, and spot prices, New York Coffee and Sugar Exchange, January 1962 to May 1963.....	85

## SUGAR PRICES

---

WEDNESDAY, MAY 29, 1963

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

The committee met, pursuant to notice, at 10:20 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senators Byrd, Long, Smathers, Anderson, Douglas, Gore, McCarthy, Ribicoff, Williams, Carlson, Bennett, Curtis, and Dirksen.

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

The CHAIRMAN. The committee will come to order.

The purpose of the hearing today is to investigate the increase in the price of sugar. This investigation was initiated at the request of the majority leader, Senator Mike Mansfield. His letter of request is herewith inserted in the record of the hearings.

(The letter referred to follows:)

U.S. SENATE,  
OFFICE OF THE MAJORITY LEADER,  
Washington, D.C., May 24, 1963.

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

DEAR MR. CHAIRMAN: I have received a number of communications from businessmen in Montana, especially in the soft drink bottling field, expressing their concern about the skyrocketing increases in the cost of sugar. As an illustration, on the 21st of this month sugar in Missoula, Mont., was \$14.05 per hundredweight. A year ago on that same date it was \$9.45. It is my understanding that advances in May have been from \$10 to \$10.15, then to \$11.45, then to \$12.50, and on May 21, at \$14.05 per hundredweight (mentioned above) free on board Missoula.

There are indications also that if some action is not taken shortly that sugar will go up still further in the near future. I have been informed that prior to March 1963, bottlers in Montana were notified in advance of price rises in sugar but that now price advances are in effect the same day that they are notified. It would appear that the larger sugar producers are banding together, and the net result could well be to put the squeeze on all other users including bottlers, bakers, candymakers, and the like.

It has come to my attention that in the State of Montana there are restrictions on purchases of sugar to an amount equal to what was purchased in the same month a year ago.

As I study the statistics that are available, I am under the impression that there are surpluses of sugar on hand and that most of the countries are fulfilling their quota agreements. I would express the hope, Mr. Chairman, that there is no attempt being made by speculators or others to "rig" the price of such a basic commodity as sugar.

In view of the situation as it is developing not only in Montana, but throughout the country, I respectfully request that your committee, which has legislative

jurisdiction over this commodity, institute an investigation into this matter at your earliest convenience. It is my belief that only through the use of the investigative power of the Congress can this matter be dealt with as it deserves, and I therefore urge that you give this proposal for an investigation your most earnest, serious and personal attention because of the need for it and the need to do something as soon as possible.

Must close now, but with best personal wishes, I am,  
Sincerely yours,

MIKE MANSFIELD.

The CHAIRMAN. We are very happy to have with us today Under Secretary Murphy. He is no stranger with this committee, he has been associated with it in various capacities.

Mr. Secretary, if you will tell us what has happened that you haven't covered in your formal statement—certainly the committee would like to know why sugar has increased so enormously in price especially in view of the fact that the Senate Finance Committee and the Congress gave to the administration exactly the legislation which they pressed for a year ago and they would like to know how this situation developed under the legislation which was approved by the administration last year.

You may proceed.

**STATEMENT OF CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN C. BAGWELL, GENERAL COUNSEL; AND LAWRENCE MYERS, DIRECTOR, SUGAR POLICY STAFF**

Mr. MURPHY. Thank you very much, Mr. Chairman.

I have with me here today colleagues from the Department of Agriculture, Mr. John Bagwell, our General Counsel, and Mr. Lawrence Myers, the Director of the Sugar Policy Staff.

I have a prepared statement in which we undertake to tell what the situation is, and to the extent that that does not answer the questions that the committee might have, my colleague and I will be glad to do the best we can to answer those questions.

I would like, if I may, to begin by reading the prepared statement in which we have undertaken as best we could to describe the general situation as we see it.

The CHAIRMAN. Proceed, Mr. Secretary.

Mr. MURPHY. We welcome this opportunity to make clear to this committee, and to the American public, the fact that we do not face a sugar shortage in this Nation, despite a tight world sugar supply situation.

As a result of a series of actions taken by the Department beginning some 6 months ago, we have sugar already on hand or committed to the United States for this year totaling 500,000 tons more than last year's entire national consumption.

This assurance of plentiful supplies available to us should help to eliminate uncertainty in our markets, discourage speculation, and contribute to a much more stable sugar situation than we have had in recent months. In fact, the last few days have seen significant price declines both here and abroad which, I believe, reflects the growing realization that the United States as a major consumer has enough sugar.

I would like to elaborate on that statement. The consumption of sugar on a per capital basis in the United States has not varied significantly in recent years. It runs between 103 and 104 pounds per person. With the present population of 189 million, actual consumption of sugar in 1963 will approximate 9.8 million tons. The total of all sugar marketing quotas, both domestic and foreign, for this year amounts to 10.4 million tons. At this time, the supply assured to this country is just under 10,300,000 tons—10,287,000 tons to be exact.

Because the chronic condition of unmarketable sugar surpluses in the world changed to a balanced situation toward the end of last year and into a tight supply situation as this year progressed, many sugar users and distributors in the United States assumed that supplies in this country would also be scarce. This led them to stockpile sugar.

Their inventories were already high at the beginning of the year as a result of a stock buildup in preparing for the waterfront strike. They added moderately to these stocks in the first quarter and at a more rapid rate during April and May. By May 18, they had increased their inventories during the current year some 500,000 tons. They now have an extremely long sugar position in terms of physical stock, some part of which at least has been acquired at very high prices.

Total inventories of sugar in the United States—exclusive of those in households—are estimated to have been 2,100,000 tons a little more than a year ago on April 30, 1962, and 2,600,000 tons at the present time. Those quantities represented between 21 and 22 percent of the annual requirements in 1962 as compared to between 26 and 27 percent this year. Or said another way, the stocks on hand at the end of April 1962 represented about 9 weeks of summertime consumption compared with 11 weeks toward the close of April this year. It should be noted that the increase over a year ago was in the hands of sugar users and traders. The inventories of primary distributors were slightly lower at the end of April than they had been a year earlier.

Sugar prices began to react in the middle of last week when it became known that the additional quantities added to the global quota as the result of the quota increase of May 2 had been virtually fully subscribed. The domestic price for raw sugar, which had been 13.2 cents per pound on May 23, fell to 11.6 cents by May 28. Likewise the world price for raw sugar, which has been 12.6 cents on May 23, fell to 11.1 cents by May 28. This was by far the greatest price correction this year.

These still represent substantial advances from the beginning of the year when the domestic price for raw sugar was 6.6 cents; and the world price for raw sugar was 4.8 cents per pound. We should note that a year earlier, in January 1962, the world price had dropped as low as 2.1 cents per pound.

Undoubtedly, there has been speculation in the sugar markets. But it is difficult to distinguish between prudent hedging or covering of risks by persons who produce and trade in sugar and sugar-containing products on the one hand, and outright speculation on the other. In both cases, the transition of sugar from a relatively stable-priced commodity to one which has seen substantial price change in the last 6 months would lead to increased activity.

In the futures market, the open position on the New York Coffee & Sugar Exchange in the contract for bulk raw sugar, duty paid New York, rose from 2,178 contracts on May 21, 1962, to 10,401 on May 21, 1963, or stated in terms of sugar from 117,712 short tons to 582,456 short tons. The open position in New York on the contract for world raw sugar during the same period increased from 2,752 to 10,133 contracts, or from 154,112 short tons to 567,448 short tons.

The sharply increased volume in the open position on the futures exchange undoubtedly had a substantial price effect. But perhaps more important were the purchases of sugar to build up stocks by the sugar using and distributing industries.

Those who have open long positions on the exchange and those who stockpile sugar should keep in mind the vulnerability of their position to changes in supplies, particularly the approaching larger harvest of sugarbeet and sugarcane crops, which gets underway in volume in October.

Sugar supplies for the United States are ample to meet consumer needs for 1963, even though the quantities available for export in the free world are much smaller than in recent years, and world stocks are being depleted.

Final estimates for the 1962-63 world sugar crop are expected to show a drop of some 5,500,000 tons from the record 60,077,000 ton production of 1960-61.

The shift from abundant free world sugar supplies to the tight situation now existing is due largely to the sharp decline in production in Cuba, formerly the world's largest sugar exporter, and the commitment of Cuba of most of its sugar that is produced to the Communist bloc. The 1962-63 Cuban crop is only about half the peak output of 7,500,000 short tons in 1960-61. The 1961-62 crop had declined to 5,400,000 tons.

Prior to 1960 most of Cuba's sugar went to the United States and other countries of the free world. Since 1960 the major part has been shipped to the Communist bloc, mainly to the U.S.S.R. Also stocks previously held in Cuba have been shipped to the bloc.

Another major factor in the tight supply situation is the reduction in the best crop of West Europe during the past two seasons when unfavorable weather affected yields. In each of these years production was over 2 million tons below 1960-61.

World consumption, which has been increasing about 2 million tons per year, reached 58,500,000 tons in 1962-63. This was some 4 million tons more than world production this year, resulting in higher prices. These high prices will result in a somewhat lower rate of increase in consumption in 1963, particularly in low-income countries.

At the same time that higher prices are retarding consumption, they are undoubtedly bringing forth expanding output. There are many countries in the world with the potential to increase sugar production materially. The increase in prices in the world market has been too recent to be reflected as yet in current statistics on production. Present high prices are now spurring foreign countries to make the maxi-



mun use of present production facilities. This will include the harvesting of all available cane, including that which might not be worth milling at a lower price. Further, increased use of fertilizer promises to improve yields significantly on existing acres. This can be especially important in many major cane producing countries.

The 1963 acreage of sugarbeets in Europe is 3 to 5 percent above 1962. Plantings were later than usual this spring, but more favorable weather in recent weeks has already partially offset the effect of the late planting. Favorable weather in Europe for the balance of the season should result in yields above those of the past 2 years.

In addition to the larger production in prospect in foreign countries, we can expect that in the United States, with normal weather conditions, production of domestic beet sugar and mainland cane sugar from the 1963 crop will be up about 500,000 tons over the 1962 crop. This will be a record output for U.S. producers.

There is no doubt that world production will again increase and overtake consumption. The speed with which this happens will depend upon the weather, the length of time required to induce new capital investment, and the policies of certain governments toward the sugar industry. We expect sugar prices to return to the normal range of U.S. prices, from 6 to 7 cents a pound, in the reasonably near future. We are not likely, however, to see serious price depressing surpluses again for some years ahead.

The Department of Agriculture has taken a number of actions to assure sufficient supplies of sugar to the American consumer for this year and to spur domestic production. The chronology of those actions follows:

On August 21, 1962, the Department announced that there would be no restrictions on the production of the 1963 crop of sugarbeets. A similar announcement for the 1964 crop was made on March 14, 1963. On May 6, it was announced that the 1965 crop also would not be restricted.

Again on August 21, 1962, the Department announced that the 1963 crop of mainland sugarcane could be as high as the level of the unrestricted 1962 crop—which for Florida reflected more than a 100 percent increase over the 1961 crop. On March 14, 1963, the 1963 acreage restrictions on sugarcane were relaxed and on May 6 removed. At the same time, it was also announced that there would be no restrictions on the 1964 crop.

There have been no restrictions on sugarcane production in Hawaii, Puerto Rico, or the Virgin Islands in recent years.

Sugar marketing quotas were initially established at 9.8 million short tons for 1963 and raised to 10.4 million tons on May 6, 1963. The related actions in chronological order were:

(1) The Secretary announced on November 27, 1962, an intention to determine requirements (total quotas) at 9.8 million short tons, raw value—the official determination of 1963 requirements had to be made under the law in the month of December. He also announced at that time the release of 750,000 short tons as global quota to be imported during the period January 1 to May 31, 1963. Finally he announced,

as of that date, a tentative determination that the import fee on global quota sugar would be 1.8 cents per pound. He also specified that special consideration would be given to offers to purchase agricultural commodities (barter transactions) and for this reason would consider simultaneously all proposals submitted on or before December 20, 1962. The requirement of the law for considering these barter transactions was, of course, a complicating factor making procurement of supplies more difficult in a shortage situation.

(2) On December 7, 1962, the Secretary officially confirmed the determination of 9.8 million ton requirements, the release of 750,000 tons to global quota for January-May importation and, because of higher world prices, officially established the import fee at 1.40 cents per pound on global quota sugar. He also reconfirmed that for the purpose of considering barter proposals, all proposals received on or before December 20 would be considered simultaneously.

(3) On December 27, 1962, the Secretary announced the allocation of approximately 114,000 tons of global quota sugar. The largest allocation was to Brazil and involved a commitment by Brazil to utilize 100 percent of the net receipts for the purchase of U.S. agricultural commodities. The second largest was to South Africa with a commitment to use 40 percent of the receipts for that purpose and the smallest allocation was to the Dominican Republic which did not agree to use any part of the receipts for the purchase of U.S. agricultural commodities. It should be observed that by December 20 world prices had risen to a point that necessitated sales to the United States under the global quota and import fee to be at a discount under the world price. That accounts for the small offerings of global quota sugar by December 20.

(4) On January 22, 1963, the domestic sugar price was above the price objective of the Sugar Act and the world price was above the equivalent of that price objective. Accordingly, the import fee was reduced to zero in an action taken January 23. The 636,000 tons of global quota sugar were subscribed immediately after this action.

(5) On January 31, an additional 350,000 tons of global quota sugar was released, bringing the total to 1,100,000 tons.

(6) On February 26, the Secretary determined that Puerto Rico would fail by 220,000 tons to fill its 1963 quota and reallocated that and 11,000 tons of quota prorations withheld from net importing foreign countries to the Republic of the Philippines and to Western Hemisphere countries as a group. This proration is on the basis set forth in the Fulbright amendment to the Sugar Act. This was the earliest that such a deficit determination had ever been made, since the harvest of the Puerto Rican crops was just getting underway. However, early outturns confirmed the fear that Puerto Rico would again have a poor sugar outturn. Simultaneously, the Secretary increased the global quota by an additional 200,000 tons to a total of 1,300,000 tons.

(7) On February 28, the Department announced the assignment of approximately 74,000 tons of the deficit sugar and the 200,000 tons of global quota sugar for importation on or before October 31, 1963.

(8) On April 5, the Secretary released the remaining 204,000 tons of global sugar quota, bringing the total global quota released to 1,504,000 tons.

(9) On April 24, the Department announced that 100 percent of the global quota and 100 percent of the deficit allocation had been assigned for importation but called attention to the fact that only 38.9 percent of the country quotas had been committed for importation. It also stated that consideration was being given to various methods of encouraging the speeding up of offerings under the respective country quotas.

(10) On May 6, the 1963 requirements were increased 600,000 tons to 10.4 million tons and a deficit was declared of the beet sugar area's share of the increase, 291,537 tons, and an additional deficit of 50,000 tons was declared for Puerto Rico. It was also determined that the Republic of the Philippines and Western Hemisphere countries could not supply all of the deficits declared and a portion was therefore added to the global quotas. The end result of the changes was to increase (1) the quota for the mainland cane area 98,463 tons, (2) the quotas for individual foreign countries 87,948 tons, (3) the deficit reallocations to the Republic of Philippines 49,704 tons, (4) the deficit reallocation to Western Hemisphere countries 192,568 tons, and (5) the global quota 221,317 tons to 1,725,658 tons.

Sugar supplies assured to this country by foreign suppliers and available from domestic areas in 1963 total 10,287,000 tons, or more than 500,000 tons in excess of the record domestic distribution of 9,754,000 tons in 1962.

Of the global quota of 1,725,000 tons, less than 2,000 tons remained unallocated (or charged) to quota at the close of business May 23.

Of the deficit reallocations totaling 473,000 tons, 320,000 tons have been charged to quota and the Republic of the Philippines has given assurances that it would fill the 52,000 tons it had been reallocated. There remains, therefore, 101,000 tons to be reallocated to Western Hemisphere countries.

Adjusted marketing quotas for the domestic areas total 5,703,000 tons. These are shown in table I.

TABLE 1.—Adjusted quotas for domestic producing areas

	<i>Short tons, raw value</i>
Domestic beet sugar.....	2, 098, 590
Mainland cane sugar.....	1, 009, 873
Hawaii.....	1, 110, 000
Puerto Rico.....	870, 000
Virgin Islands.....	15, 000
<b>Total.....</b>	<b>5, 703, 463</b>

Foreign supplies now assured total 4,584,000 tons, of which 3,161,000 tons have been charged to quotas and 1,423,000 tons have been assured as a result of inquiries sent to the foreign supplying countries. Data on quotas, quota charges and total U.S. imports by countries of origin are shown in table II.

TABLE II.—*Sugar quotas for foreign countries and indicated additional offerings calendar year 1963, and charges to quotas by countries c.o.b. May 23, 1963*

Country	Basic country quotas (short tons, raw value)	Charges to:			Total quota charges	Indicated additional offerings	Total prospective imports
		Basic	Deficit reallocations	Global quota			
Thousands of short tons, raw value							
Philippines.....	1,050,000	523	100	.....	628	579	1,208
Dominican Republic.....	336,243	86	37	202	326	275	601
Peru.....	201,243	50	.....	212	262	156	418
Mexico.....	206,243	101	116	22	329	15	344
Brazil.....	195,763	0	.....	281	281	196	477
British West Indies.....	98,059	78	46	.....	123	43	166
Australia.....	43,330	11	.....	175	186	33	218
Republic of China.....	38,114	38	.....	36	74	0	74
French West Indies.....	32,581	15	.....	66	81	(?)	81
Colombia.....	32,581	0	.....	46	46	33	78
Nicaragua.....	27,048	14	.....	15	29	19	48
Costa Rica.....	27,048	19	.....	10	29	(?)	29
Ecuador.....	27,048	0	.....	28	20	27	55
India.....	21,823	20	.....	102	122	0	122
Haiti.....	21,823	15	7	12	34	(?)	34
Guatemala.....	21,823	20	0	19	46	(?)	46
South Africa.....	21,823	0	.....	111	111	22	133
Argentina.....	20,000	0	.....	217	226	11	237
Panama.....	16,290	12	.....	7	12	5	16
El Salvador.....	11,065	10	2	7	19	(?)	19
Paraguay.....	10,758	0	.....	.....	0	0	0
British Honduras.....	10,758	0	.....	.....	0	0	0
Fiji Islands.....	10,758	0	.....	24	24	11	35
Ireland.....	10,000	5	.....	.....	5	(?)	5
Belgium.....	182	.....	.....	8	8	0	8
France.....	.....	.....	.....	24	24	.....	24
Reunion.....	.....	.....	.....	11	11	0	11
Southern Rhodesia.....	.....	.....	.....	11	11	.....	11
Mauritius.....	.....	.....	.....	67	67	.....	67
Turkey.....	.....	.....	.....	7	7	.....	7
Venezuela.....	.....	.....	.....	12	12	.....	12
Total.....	2,497,434	1,118	320	1,723	3,161	1,423	4,584
Quota balance.....	.....	1,380	153	2	.....	.....	.....
Total charges plus balances.....	.....	2,498	1,473	1,725	.....	.....	.....

<sup>1</sup> Total quota deficits: Republic of Philippines, 157,018; Western Hemisphere countries, 315,827.

<sup>2</sup> No report.

Virtually all sugar to be imported under the global quota of 1,725,000 tons has been charged to the quota, thus assuring importation by November 15. It is anticipated that some of this sugar will be imported at an earlier date.

Of the reallocations of deficits totaling 473,000 tons, 67.7 percent will be imported by October. When the additional 52,000 tons promised by the Republic of the Philippines are charged, such charges will amount to 78.6 percent of the deficit declarations.

Of the basic foreign country quotas totaling 2,498,000 tons, 1,118,000 tons or 45 percent had been charged by the close of business May 23 for importation not later than July. To obtain information on the remaining 1,380,000 tons or 55 percent, inquiries were sent to all foreign supplying countries asking for the extent and time of their additional shipments. The replies covered substantially all of the remaining basic quotas and the recent deficit reallocation of 52,000 tons to the Republic of the Philippines. The arrival time of sugar by months under the several quotas in accordance with quota charges made to date and indicated arrival time of additional supplies are shown in table III.

TABLE III.—Charges to calendar year 1963 sugar quotas and indicated additional arrivals from foreign countries by month of expected arrival, c.o.b. May 23, 1963

[Thousands of short tons, raw value]

Month of expected arrival	Quantities charged to—			Total quota charges	Indicated additional arrivals	Total prospective imports <sup>1</sup>
	Basic quotas	Deficit re-allocations	Global quota <sup>1</sup>			
January.....	58	0	121	170	-----	170
February.....	169	0	169	338	-----	338
March.....	245	2	120	307	-----	307
April.....	265	45	152	462	-----	452
May.....	215	124	147	480	-----	480
June.....	125	12	91	228	152	380
July.....	51	34	84	169	177	340
August.....	-----	50	105	155	233	388
September.....	-----	37	289	326	259	585
October.....	-----	10	167	183	319	502
November.....	-----	-----	278	278	217	495
December.....	-----	-----	-----	-----	66	66
Total prospective im-ports.....	1,118	320	1,723	3,161	1,423	4,584
Quota balances <sup>2</sup> .....	1,380	153	2	1,535	-----	-----
Total quotas.....	2,498	473	1,725	4,696	-----	-----

<sup>1</sup> Imports may be earlier than indicated.

<sup>2</sup> Prospective importations within such balances are included in indicated additional arrivals.

Visible inventories of sugar (stocks held by refiners, beet processors and importers) at the end of April amounted to 1,621,000 tons, or approximately 83,000 tons less than at the end of April 1962. Invisible inventories (stocks held by wholesalers, retailers, and industrial users) are believed, on the basis of distribution data since last fall, to approximate 1 million tons or to be around 600,000 tons larger than they were a year ago. Of this excess, 100,000 tons accumulated late in 1962 and 500,000 tons this year.

We intend to continue to pursue aggressively all actions necessary to assure adequate supplies of sugar for American consumers. We can, I believe, look with reasonable confidence beyond 1963. Domestic production is increasing. With the removal of restrictions on beets and sugarcane, we can expect this increase in domestic production to continue. In addition, the new legislation under which we have been operating this year provides a flexible means in the global quota for obtaining foreign supplies when our own production and supplies scheduled to be obtained under country quotas fall short.

We believe the global quota has attracted large supplies of sugar to this market at this time when they are needed and that corresponding quantities could not have been obtained had we been completely dependent on country quotas.

Country quotas are established on an annual basis and each of the 25 countries with quotas have the right to send the sugar into the United States at any time during the year when market prospects are to their liking. In contrast, most of the sugar sellers of the world may compete for the right to ship sugar here under the global quota. Assignments from the global quota are made on a first-come-first-served basis so that a seller cannot delay committing his sugar if he wishes to be sure of placing it in this market. Furthermore, the global quota enables our buyers to purchase sugar in countries which

do not have quotas and from which sugar could not be acquired under a complete country quota system.

The global quota within the current total quotas of 10.4 million tons amounts to more than 1.7 million tons and is fully subscribed. All of the global quota sugar will arrive here before November 15 and the great bulk of it will have arrived before the end of the heavy sugar-consuming period on September 30. This is most helpful at this time.

We also believe that the existing country quotas are very useful to us in the present situation.

We have commitments that the country quotas will be substantially filled at a time when the rapid rise in the world price of sugar has opened opportunities elsewhere to them. Holders of country quotas have acknowledged their responsibilities in this regard.

Favorable prices to sugar producing countries will set in motion an increase in production. While we should not look to prices as low as those that prevailed in the world markets early last year—clearly at disaster levels for many foreign countries—there should be substantial reductions from current levels, as the world supply and demand situation comes into better balance.

Finally, let me say that all of us should be grateful for our Sugar Act and the assurance it makes possible for sugar supplies at this time. It should be abundantly clear that U.S. sugar supplies today would be infinitely more precarious if we had not had the protection of this law and the quota system over the past 30 years. For without this system, our domestic sugar industry might not have survived the disastrously low world prices of 1960-62. U.S. farmers today are producing and the U.S. processing industry is manufacturing 6 million tons of sugar that constitute nearly 60 percent of our sugar supplies. The protection that the Sugar Act has afforded over the years has maintained a healthy and growing domestic sugar industry which is indispensable in such a period of world shortage.

That completes my prepared statement, Mr. Chairman.

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

Do you have a statement showing the increase in the cost of sugar since it started to go up?

Mr. MURPHY. I didn't hear you.

The CHAIRMAN. I say, do you have a statement showing the increases in the cost of sugar beginning since it started to go up? When did it start to go to these prices? You don't favor the present price of sugar, in the retail markets, do you?

Mr. MURPHY. No, sir, we do not. We have more complete information about the price of raw sugar and about wholesale prices than we do about retail prices.

In the raw sugar price, there was a rise in the world price during the latter part of last year, and the early part of this year, so that it came up to about the level of the U.S. price for raw sugar in March of this year.

From that time on, there was an increase in both the world price and the U.S. price of raw sugar. This began a little bit later to be reflected in the wholesale price of sugar and then a little later still in the retail price of sugar.

We do not have comprehensive or complete information about the effect on the retail price.

The CHAIRMAN. Can't you provide some figures in any form which would show to the committee this increase in the price of sugar to the consumer? Otherwise, I would gather from your statement that you are not much concerned about it.

You say finally, that all of us should be grateful for our Sugar Act, and the assurance it makes possible sugar supplies at this time. The purpose of this meeting is to get information and advice as to how to correct the condition now existing whereby the cost of sugar has gone up so much.

Mr. MURPHY. We are concerned about the situation, Mr. Chairman.

We are extremely glad that the situation is not worse, and particularly glad that the outlook recently has taken a decided turn for the better.

The CHAIRMAN. Haven't you got some comparative figures to show how much sugar has gone up?

Mr. MURPHY. We have the figures as to the price of raw sugar which went up from around 7 cents a pound the first part of this year, to something over 13 cents a pound, I believe was the peak, and it has gone back down now for 4 successive days in a row, the limit that is permitted on the exchanges, which is a half cent per pound.

The CHAIRMAN. That has not occurred in recent years, has it?

Mr. MURPHY. No, sir. This is the first time that such a thing has occurred.

The CHAIRMAN. In other words, we have had a normal price of sugar for many years; is that right?

Mr. MURPHY. We have had for a good many years now a surplus supply situation on the world market.

The CHAIRMAN. I would like for you, Mr. Murphy, for you to answer my questions.

Haven't we had a normal price for sugar for how many years?

Mr. MURPHY. I think the price was rather high during World War II as I recall.

The CHAIRMAN. Ask Mr. Myers. He is an expert on sugar.

How long have we had a normal price for sugar?

Mr. MYERS. Senator, I think you could say that we have had a normal price of sugar ever since the Sugar Act started in the thirties.

During the war, thanks to purchases from Cuba and Senator Anderson was the man who carried out those purchases, and to our consumer subsidies, we maintained rather stable domestic prices. We also had price controls.

Since the war, until this year—

The CHAIRMAN. Since what war?

Mr. MYERS. Since World War II. We have had—

The CHAIRMAN. That is 1945.

Mr. MYERS. That is correct.

The CHAIRMAN. And have you had normal prices, stationary prices since 1945?

Mr. MYERS. Substantially so. This, Senator, it is quite correct, is the greatest blowup that we have had in prices in our market since World War I or 1920, to be more accurate, and amusingly enough, most of that price increase came in the months of April and May, just as it did this year. That is a mere historical accident, but amusing.

The CHAIRMAN. Well, they have been normal then for about 17 or 18 years?

Mr. MYERS. Prices have been very stable.

The CHAIRMAN. All of a sudden the price doubles in a very short period of time; is that correct?

Mr. MYERS. That is correct. It went to exactly twice the price objective of the Sugar Act. The Sugar Act price objective is for a price of raw sugar at New York at 6.6 cents a pound.

On Wednesday, last week, the price was 13.2 cents a pound. As Secretary Murphy has pointed out, it fell on Friday, it fell on Monday, it fell on Tuesday, it is now 11.6 cents a pound.

The CHAIRMAN. What was the percentage of increase to the normal price that existed, according to your testimony, for 17 years? What percent of increase occurred? When did it start, in March, did you say?

Mr. MYERS. The bulk of the increase has come in April and May, although the price was inching up before that.

The world price started up in 1962. At about January of this year it met our price, and then the two rose together and the increases fed on themselves until last week.

The CHAIRMAN. How does it happen that for 17 years the price was normal, year by year? Then all of a sudden it more than doubles. I am not an expert on sugar and I wish you would tell me in plain language why this has occurred.

Mr. MYERS. I think it can be explained—

The CHAIRMAN. And relate the situation to the Sugar Act of last year which was passed by the Congress, with administration approval; you were sitting in the next room; you will remember that night, and the conference that followed. You approved of the legislation that was then enacted.

The House protested against it, you remember that?

Mr. MYERS. That, I remember very well.

The CHAIRMAN. When you answer my question include your views as to whether this act, the bill as passed—which I understand was effective in part January 1, 1962—had anything to do with this present situation.

Mr. MYERS. Senator, in my humble opinion, and I am willing to back it up with facts, the changes in the Sugar Act have had absolutely nothing to do with price rise. The only thing that the revisions of the Sugar Act did, was to delay us a few days in December, as Secretary Murphy pointed out in his prepared statement, while we were waiting for so-called barter offers of sugar.

Once that period had passed we were able to move on, and we have obtained sugar under the Sugar Act.

The Sugar Act, however, does not have control over weather in Europe, and it did not, unfortunately, have control over communism in Cuba. As a result of those two situations, we have had a world sugar shortage. And keep in mind, sir, that the Sugar Act is designed in its quota system to support the American price above world prices in periods of world surplus and low world prices.

We have succeeded in keeping domestic prices below world prices during World War II, by the activities that I just referred to, when Senator Anderson, who was then Secretary of Agriculture bought the



Cuban crops, and sold them here at stabilized prices. Of course, price control and rationing were important parts of the total program.

During the Korean crisis and again during the Hungarian-Suez crisis, thanks to Cuba and to Cuba alone, Cuba had the sugar, the adequate supplies, it was our major supplier; and it was altogether too intelligent to milk the American public for the last penny when under normal conditions it got a very healthy premium for its sugar.

Since Cuba has left the scene, so far as we are concerned, we do not have the protection of that country, the world's largest sugar exporting country, with supplies sufficient to flood our markets any time we needed them flooded.

The CHAIRMAN. I understand you to say that Castro was responsible for the increased price of sugar because of the fact we don't buy any sugar from Cuba now.

Mr. MYERS. Senator, our failing to buy sugar from Cuba now is an adjunct or subsidiary feature of the Castro government.

We could not depend upon the Castro government coming to the assistance of the United States in times of crisis, in the way that the old pre-Castro Cuban governments did. They closely coordinated their sugar sales program with the requirements of the United States.

The CHAIRMAN. The committee was told, as you will recall, when we stopped buying from Cuba that we would find, it would stimulate the production of sugar in other countries and increase the beet sugar production here. In plain language, what is the reason for the price of sugar doubling in 3 or 4 months? Is it the profiteering or what is it?

Mr. MYERS. It was, I think, sir, in part, delayed reaction to the change from a surplus to a shortage situation in the world market. We had two short European beet crops as the result of very unfavorable weather conditions, and then we had this situation in Cuba. We have had sugar production increasing in other parts of the world, including the United States.

Now, when this price movement started, fear developed in the market. Our American buyers, fearing that the price would go higher, became anxious buyers, and the sellers, naturally, became reluctant sellers, waiting for tomorrow when the price would be higher.

The CHAIRMAN. Does the Department have any recommendations to make with respect to legislation for a return to normalcy in sugar prices such as we have had for 17 years?

Mr. MYERS. Well, Senator, I do not believe you can legislate over weather conditions or over communism.

I think that now that we have had several days of rapidly breaking prices on the New York market, perhaps some of our folks who have been storing sugar away for future consumption will realize that the price does not always go upward. I frankly suspect that we have passed the crisis in this sugar market. I certainly hope so.

The CHAIRMAN. What is the price of sugar today compared to what it was when we have a normal price?

Mr. MYERS. We had 6½-cent sugar in 1962. Then it rose gradually during January, February, and March, and then rapidly in April and the early part of May, to a peak of 13.2. It has now declined to 11.6 cents a pound, and I read in the morning paper where one of the

Louisiana refiners, where the refined price was 16½ cents a pound, cut his price a half cent a pound the day before yesterday.

So, probably the consumers will soon have some reflection of this decline.

The CHAIRMAN. Then you are satisfied with the Sugar Act that was enacted last year, and you have no recommendations to make for new legislation. Is that correct?

Mr. MYERS. I do not. I have no recommendations for new legislation at this time. This is getting over into a field that Mr. Murphy should be handling. I will say that I am confident that the Sugar Act was not responsible for this price rise.

The CHAIRMAN. Just one more question, because other Senators on the committee are more familiar with the sugar situation.

The countries which were granted quotas in the 1962 act, are they charging us now the higher world price for sugar?

Mr. MYERS. Yes, Senator. There has been a lot of talk about the country quotas keeping the price down.

So far as I am aware, no country or foreign seller has sold his sugar any more cheaply under the country quotas than under the global quota.

As a matter of fact, the global quota, as Secretary Murphy pointed out, was the competitive element. That and the Western Hemisphere reallocation quota got us sugar from wherever it existed, and it was the knowledge of the market that global quota was filled that I think had the major part in breaking the price last Friday.

The CHAIRMAN. Who has profited by this increased price in sugar? Somebody must have.

Mr. MYERS. Certainly those who were able to sell sugar at that time, and that would go all the way back to producers. There certainly have been a lot of speculators buying in the world market, particularly world futures, and undoubtedly those who were fortunate enough to get out have made tremendous profits. I understand that since last Friday, some of the folks who had purchased sugar are in a rather desperate position because they can't find buyers to liquidate their contracts.

The CHAIRMAN. Are you going to take any steps at all, or are you just going to let the situation move along?

Mr. MYERS. Senator, I think the steps have been taken. When the American consumer came to realize that we had a half million tons of sugar more than he could use, and when he realizes that the price is going down he is not going to continue the stockpiling. If I may be permitted, Mr. Secretary, to use a stronger word, some of them I think have been hoarding, and I think that is over.

The CHAIRMAN. Who has benefited by this? Have the growers of sugar benefited?

Mr. MYERS. The growers, the speculators, as I said, who have been fortunate enough to get out before this thing broke.

The CHAIRMAN. And the retail price of sugar has gone up how much?

Mr. MYERS. Senator, our reports on retail prices are extremely slow. It takes several months for the Department of Labor—

The CHAIRMAN. I understand that. Just give me the figures.

Mr. MYERS. They have gone up, we know. But we do not have a price for the recent weeks in the consumer market. The closest we can give you is—

The CHAIRMAN. The papers have been filled with different prices.

Mr. MYERS. I beg pardon?

The CHAIRMAN. The papers have been filled with the prices of sugar, how much it has gone up, three times, four times.

Mr. MYERS. Senator, those prices vary tremendously. You will see reports of somebody still making sugar a loss leader and also of somebody trying to sell it for 5 pounds for a dollar, all at once. At a time like this, the retail prices vary tremendously, even the wholesale prices are uncertain at a time like this.

The CHAIRMAN. They are certainly uncertain, I will agree with you on that.

Mr. MURPHY. The latest information we have as to the U.S. average retail price is for the middle of April and at that time it had not gone up. Like everyone else since that time we have been able to get no information except what we get from the newspapers.

The CHAIRMAN. You are satisfied with the condition as it exists?

In other words, it is going to correct itself?

Mr. MURPHY. I would join Mr. Myers in saying we don't think it is entirely a matter of self-correction. We think the steps which have been taken already, which now—

The CHAIRMAN. What have you done to bring about the stable conditions?

Mr. MURPHY. Well, we have undertaken to get adequate supplies of sugar for the United States for this year, and we are satisfied that this has been done. It was accomplished only very recently, within the last 10 days to 2 weeks. We think that this has made, and will continue to make a very sharp difference in the situation.

The price has been going up, we now think it will be going down.

Senator McCARTHY. Will the Senator yield for a question at this point?

How have you done this, Mr. Murphy? Have you gone to countries and said, "Give us a quota of your sugar"?

Mr. MURPHY. Well, Senator, in the first place, we have filled the global quota and have commitments to bring in all that sugar.

Senator McCARTHY. How have you filled it?

Mr. MURPHY. In addition we have gone to countries that have country quotas and asked them what their plans and intentions were as to sending sugar into the United States this year.

They have all responded. They have without any significant omissions, said that they would fill their quotas this year, and they have given us schedules on which the deliveries will be made.

We think actually that some of the deliveries will be made earlier than the times that have been indicated, and from these two sources we are satisfied that we will get all the sugar we need to be imported.

Senator McCARTHY. I know. But the global quota is no source. Who is filling the global quota?

Mr. MURPHY. There are a number of different countries filling the global quota.

Senator McCARTHY. So in effect what you have now is a quota given the United States by the other countries, whereas under the act which

was changed we would have gone to the countries and had them agree to provide it to us.

Now, you come to them and have them give you sugar at the price of 8 or 10 cents a pound, whereas a year ago, if you had national quotas you might have gotten an agreement from them at 6 cents.

In other words, you are really on a quota basis right now. But the determination of what quota we get in what you have been calling the global quota is not our determination now. We come asking for it instead of bargaining for it as we might have done a year ago.

We are really on a quota basis now, aren't we?

Mr. MURPHY. We are on a quota basis.

Senator McCARTHY. Country by country?

Mr. MURPHY. We have domestic, foreign, and global quotas; we have a system of quotas.

Senator McCARTHY. You are not buying in the world market. You are going country by country asking them to give the United States sugar?

Mr. MURPHY. As to a global quota.

Senator McCARTHY. It isn't a global quota.

Mr. MURPHY. I beg your pardon?

Senator McCARTHY. It is not a global quota. You are not buying this in the world market. You didn't get commitments from the world, did you?

From whom did you get your commitments?

Mr. MURPHY. We opened—

Senator McCARTHY. Country by country?

Mr. MURPHY. The quota permits offers from anyone.

Senator McCARTHY. Yes.

Mr. MURPHY. Obviously, if we were offered sugar from any place it had to come from some country.

Senator McCARTHY. Sure.

Mr. MURPHY. And it was offered from some countries, some that had quotas, some that did not.

Senator McCARTHY. That is right.

Mr. MURPHY. We are satisfied we are getting substantial amounts of sugar under the global quota from countries that would not have sold it to us, would not have been able to offer it to us, if we had had a complete country quota system.

Speaking generally, when we have opened up the global quota, the sugar that the country offered us was offered very rapidly.

Senator McCARTHY. Which country is supplying you now under the global quota which you might not include if you had national quotas last year?

Mr. MURPHY. We are getting, as I recall, substantial amounts from the Argentine that we would not have expected to get under the country quota. We are getting substantial amounts here that we would not have expected to get from country quotas; we are getting excess from Brazil over her country quota; we are getting substantial amounts from Australia.

Senator McCARTHY. Mr. Secretary, they all wanted a larger share of national quotas last year when we held hearings.

There are not new countries. They were all here, most of them were here. Argentina was not here, they were out of town, they were different.

Senator SMATHERS. Argentina had a small quota last year, did it not?

Mr. MURPHY. Argentina has a quota, I believe, but she is supplying substantial amounts under the global quota in addition to the country quota.

Senator SMATHERS. But you recognize they asked a larger quota last year and the year before?

Mr. MURPHY. I have no recollection of it.

The CHAIRMAN. They have 20,000 tons.

Senator LONG. Mr. Chairman, I would like to ask for the regular order.

The CHAIRMAN. The Chair has concluded his questions and recognizes the Senator from Louisiana.

Senator LONG. Mr. Secretary, you said that the growers had benefited. My impression from the growers of my State, who are cane growers is that they got a better price, I think, perhaps they got about 6 cents—I mean 7 cents where they had been getting 6, if they were producing cane in the field, and the fellow at the raw sugar mill had benefited substantially and the fellow at the refinery benefited more than that.

But as far as the fellow producing sugar out in the field was concerned he got a modest increase and that was about the size of it. He sold his sugar, as you know, months ago. Isn't that about the size of it as far as our domestic cane producers are concerned?

Mr. MURPHY. That is true, Senator Long, for the Louisiana sugar-cane producers.

Senator LONG. We are not complaining.

Mr. MURPHY. Most of this price increase has taken place quite recently since the 1st of April. The price that your producers get for their sugar or for their sugarcane, is determined largely on the basis of marketings that I believe are completed earlier than that, and so I think that the sharp increase in price has not been reflected in a substantial rate of income for Louisiana cane producers.

I think the situation is quite different for beet producers.

Senator LONG. You think quite a few of the beet producers were in position to benefit by the skyrocketing of the price?

Mr. MURPHY. My understanding—

Senator BENNETT. You had better hang onto that until it comes my turn to ask questions.

Mr. MURPHY. My understanding is that the price, the wholesale price, of sugar at this time during the period when the sharp increase did take effect is reflected in the returns to beet producers.

Senator LONG. Would you permit Mr. Myers to comment on that as to just how much the fellows growing sugarcane in my State benefited from all this skyrocketing of price?

Mr. MYERS. Senator Long, it is a great regret to all of us that the Louisiana cane was harvested, sold, and priced before any substantial part of this price rise occurred. I hope that in Florida, where the harvest continues into May, Senator Smathers, the growers have benefited. The Florida harvest starts back in October, at the same time the Louisiana harvest starts but continues on into May, so I would assume that Florida growers got some benefit from the recent price rise.

Senator LONG. I am satisfied we didn't get any benefit out of the skyrocketing thing in Louisiana. I will let someone from the beet sugar producers ask about their part of it.

But with regard to these commitments that are made, when we passed the Sugar Act, as we did about a year ago, and gave you the authority to go ahead and obtain commitments, do you get commitments not only for quantity but for price?

Mr. MYERS. No, Senator.

I don't know where that concept has arisen. There is no such provision in the Sugar Act, and there never has been. We have no provision in the Sugar Act for entering into contracts with anybody. During the wartime, as Senator Anderson can so well explain, he went down to Cuba and bought with the funds of the Commodity Credit Corporation. It was not under the Sugar Act. It was with funds of the Commodity Credit Corporation. Under the Sugar Act, we do not make contracts. The only provision of the Sugar Act that bears on this point is a provision that has never been tested, that if the larger supplying countries fail by more than 10 percent to fill their quotas in years when the world price is above our price, their quotas are to be cut subsequently by the amount of the shortfall. That provision has never been tested. It has never been utilized.

Senator LONG. Well, now, here is the impression I gain about this and I am just looking to the future. There is no point crying about spilled milk in the past but I am concerned about the future because we can do something about that with legislation.

Would it not seem to you if we go to these countries and give them a commitment to buy their sugar at four and a half against a projected world price of 3 cents we ought to obtain a commitment that they will sell it for four and a half? That is going to be 50 percent above what they could sell it for somewhere else.

Mr. MYERS. Senator, I think there is a great deal to be said for your point of view, and if that were to be done, then we would have a different situation under the Sugar Act and we would have something to talk about.

Senator LONG. Yes.

Well, now, just to put in a few words what you spelled out better and with more language in your statement, you have here a tight world supply of sugar, and against which you have made the arrangements to assure that the United States will have all the sugar that we need in this country.

Mr. MURPHY. That is true, Senator, and the basic situation here is the tight supply in the world. It is a supply and demand problem. I think, I might illustrate by referring to something that happened last winter that Senator Smathers is familiar with, and I suppose all the rest of us.

In the early part of last winter, there was a surplus of citrus fruit and fruit juices in Florida and we were engaged in the business of purchasing surplus juices. We had a freeze, a severe freeze. All of a sudden the situation was exactly the reverse, and prices went up very sharply. So that is what has happened in the sugar worldwide, at least the free world, supply and demand situation for sugar, which, just as you said, has developed a tight supply situation in the free

world, and in this tight supply situation we had the problem of doing what we could to assure adequate supplies for the United States.

There were many people, I think, who were not altogether certain how this was going to turn out, and fortunately, we have had very substantial reassurance just within the last few days.

Senator LONG. So if I understand it now, here was a situation where the world was going to be short on sugar. The United States was not, you had all the commitments you need to guarantee we were going to have more sugar in this country than we were going to use, is that correct?

Mr. MURPHY. We have only gotten these commitments very recently. We have them now. But we didn't have them until the first of last week as I recall.

Senator LONG. But you were in the process of obtaining the commitments that you needed?

Mr. MURPHY. That is right, that is correct.

Senator LONG. And you had no real cause for alarm, as I understand it, as to your ability to get the sugar we needed for this country.

Mr. MURPHY. Well—

Senator LONG. If you were worried, you are not worried now, I take it.

Mr. MURPHY. We are not nearly so concerned now as we were before. We were concerned about whether or not the countries that have quotas would deliver to us the sugar that they were authorized to deliver under these quotas. It is not mandatory. They were not bound by any legal obligation to fill these quotas. There is a long history, tradition, that we hoped would operate to make them fill the quotas. There is the interest that they might have in preserving the country quota system and preserving their quotas under the system which would provide them an incentive for delivering the sugar, and we were hopeful they would do this but we didn't know until we asked.

Senator LONG. Then meanwhile speculators come into the picture, buy up sugar at a speculative price, and then people who have a legitimate demand for sugar who are large industrial consumers start buying to protect themselves against this wave of speculation, and then the housewife starts buying and then the whole thing starts skyrocketing—that is how it looks to me; is that correct?

Mr. MURPHY. What I would call speculative forces came into the market. Some of these were speculators, but I think perhaps the most important thing was the laying in of supplies by industrial users. As you know, some two-thirds of the sugar consumed in this country is consumed by industrial users instead of being sold at retail into the grocery stores. These people have to have their sugar to stay in business, the confectioners, the soft drink bottlers. So prudence—when they began to get concerned about whether or not they were going to have adequate supplies of sugar, they go out and buy sugar in advance. This tends to force the price up. The more the price goes up, the more alarmed they become, the more they feel they have to get their sugar right now before it is too late. This is, I think, a somewhat natural process, and while there are many factors that contributed to this, I think certainly that is one of the most important.

Now that the tide has turned, I think they will have a reverse psychology. They will see that they no longer need to be alarmed about having the supplies for the months ahead, and they will expect, I think, as most of us do, that the price will be lower in the months ahead than it is now, and I think prudence again will indicate that they should use some of the supplies they have on hand.

Senator LONG. I ran into a man just about 2 days ago who felt he had been wise to get out of this speculation deal while he had a chance. He bought in and then got out. I take it that is about what you are expecting now?

Mr. MURPHY. That is right. I think he got out at about the best time.

Senator LONG. Well, would it not be worth our considering when we go to legislating on this subject again, and perhaps, either as legislation or a policy matter for you, if perhaps for the future we ought to arrange to have a certain amount of sugar as either a stockpile against our military uses or for carryover just to assure ourselves that we would not be at the mercy of private speculators in this country?

As I understand it, when you were sure that the sugar would come into this country, it was not for the U.S. Department of Agriculture, it was for the market to buy.

Mr. MURPHY. I think it would be wise for us to consider some means of providing insurance of adequate sugar supplies in addition to those we now have. In the past we have had Cuba, that has been our insurance.

We don't have that insurance because we don't have Cuba. We talked about the sugar activity last year when all of us thought and talked in terms of a program designed to stabilize prices and the market in this country and the situation where there is a world surplus. I believe it would be desirable now for us to turn our attention long range to what we should do to provide adequate insurance in the future against the possibility, and it is fairly remote, but from time to time it does happen, it did happen this time, that a shortage will develop suddenly. Basically we are still going to have the supply and demand which is going to govern the situation.

Senator LONG. Isn't there a prospect, though, that starting next year with these high prices of sugar that everyone will go into sugar and by the time the harvesting season is over we will have a tremendous surplus of world sugar?

Mr. MURPHY. The lines will cross eventually.

You see the most recent year consumption was actually some 4 or 5 million tons above production in the world and this used up, by and large, the stocks, the surplus stocks, that were available.

Now, the result is going to be just as you indicate. The price will go up. This will result in some decrease in consumption or slower increase in consumption, coupled with an increase in production at the same time, and the production will meet the demands again.

Now, just how quickly these lines will cross and production will exceed consumption, no one can tell with any certainty. With average weather we can expect the situation to be fairly well in balance again and by the time the harvesting season is over we will have a tremendous

Senator LONG. Thank you very much, Mr. Secretary.

The CHAIRMAN. Senator Williams?



Senator WILLIAMS. Senator Bennett has to leave early and I will yield my place to him.

Senator BENNETT. With your permission.

Mr. Chairman, and Mr. Secretary, as a representative of one of the large beet sugar producing States, I am interested in developing the role that the beet sugar industry may have played in this situation. Has the beet sugar industry supplied all that it could in the present situation as far as your records would indicate?

Mr. MURPHY. Senator, I would like to answer that first and generally say "Yes, it has," and then I would like, if I may, to ask Mr. Myers to respond to it in detail.

Senator BENNETT. Since Mr. Myers is going to respond, may I just throw one figure in there to which he may respond?

My information is that this year beet marketings are approximately 200,000 tons ahead of last year, is that approximately right?

Mr. MYERS. I think that is right, Senator. I regret that I misplaced my table on distribution just as I was picking up to come up and I don't have the figures before me. But I think that is correct.

Senator BENNETT. I have here figures for production and marketings for the past 6 years which I would like to offer for the record which show that at least through 1962 the beet industry has supplied as much as it could, and in the present situation, my information is that it has supplied 200,000 tons more than in the preceding year.

Then there is another interesting set of figures.

Do you have in your mind the relative difference between the prices at which beet sugar has been supplied and the prices at which cane sugar has been supplied?

Mr. MYERS. Senator, I have the figures here. According to yesterday's quotations cane sugar in the Chicago west territory was quoted at 16.5 cents a pound, and beet sugar at 13.25 cents per pound.

Senator SMATHERS. That was Chicago west, did you say?

Mr. MYERS. Chicago west, which is the great central marketing area where Louisiana refined sugar and beet sugar from the Western States are in deadly competition.

Senator BENNETT. In competition. To complete the figures—

Senator SMATHERS. Is the figure the price at which it is sold or the price at which it is brought to the refiner?

Mr. MYERS. That is the refined basis price.

Senator BENNETT. It is the wholesale price?

Mr. MYERS. Wholesale refined price.

Senator BENNETT. Wholesale refined price.

Senator SMATHERS. Wholesale refined price.

Mr. MYERS. That is right.

Senator ANDERSON. Would you repeat what the figure was?

Senator BENNETT. 16.50 for cane, 13.25 for beet.

I would like to complete some more figures to show the same variation.

In the intermountain area, beets 13.25, cane 15.35. In the Pacific Northwest, beets 13.25, cane 15.25. In California, beets 13.50, and cane 15.25.

For a long time there has been a feeling—

Senator SMATHERS. What about those same figures on the east coast?

Senator BENNETT. Well, beet sugar does not come east of Chicago west, except under unusual circumstances. This is its natural territory. The beet producers have had to fight very hard to maintain their sugar supplies for their own market, because with this variation they could soon have been drawn out of all sugar, because the eastern market is much bigger than the western market. If they had been willing to sell sugar at 13.25 f.o.b., New York, there would be no beet sugar in the West to supply their normal customers.

I made a contact with some of our beet sugar producers yesterday, who told me that for a number of weeks they have had to ration their sales of sugar and have limited them to their own regular customers in normal amounts, because with this price differential the beet sugar producers soon could have been out of sugar, and been unable to supply their own market. I think the important thing behind these—

Senator SMATHERS. Would the Senator yield right there?

Does the Senator argue that there should be more cane sugar production so the price can go down to equal the price of beet?

Senator BENNETT. Let me make my own point and then I will come back. [Laughter.]

The Senator is making the point that for a long time in the Congress there has been a feeling that the beet sugar industry was a leech, a burden, on the sugar markets of the country, and I am proud of the producers in the West who have been attempting to slow down this unusual price rise. They have supplied 200,000 tons beyond the requirements of their normal market, and they eventually had to start following the cane people whose prices are developed on the east coast, out of the foreign markets because they could no longer have protected themselves.

I think this is interesting and significant. Unfortunately—let's turn to the question that Senator Long raised and the Secretary and Mr. Myers indicated that the beet sugar producers were benefiting substantially by this price rise.

Isn't that prospective? They will either benefit or not benefit based on the average price determined at the end of the marketing year.

Mr. MYERS. That is correct, Senator.

The beet contracts uniformly require the processor to pay the grower a share of the average returns he receives for the sugar sold throughout the year.

In the eastern area, that is Michigan and Ohio, they have the so-called 50-50 contract in which the grower gets 50 percent of the return, net returns, from sugar, molasses, and pulp.

In the West, they generally get a higher percentage of the net returns from sugar, but not from molasses and pulp. It would not, therefore, be correct to say that they got just this peak price. It will be whatever the average price for the year is.

Senator BENNETT. Whatever the average price turns out to be.

Mr. MYERS. That is correct.

Senator BENNETT. And eventually, considering the difference in the marketing year, the producers of sugar in Louisiana will benefit from these prices in terms of their marketing of the cane that is produced this year.

Mr. MYERS. That involves a price forecast that I trust is not quite true.

Senator BENNETT. But they have not been completely foreclosed. The door has not closed on them.

Mr. MYERS. Not if the price remains up. I will say that working for agricultural interests, if we are going to have these high prices, and I agree with Senator Byrd's implication that they are excessively high, at least I would like to have the grower get some share of it.

Senator BENNETT. So do I.

Don't you think you can pretty well forecast the average price for 1963 will be higher than the average price for 1962?

Mr. MYERS. I think that is inevitable.

Senator BENNETT. Yes.

Mr. MYERS. But Senator Long's growers will again be selling sugar from late October through next February, and that will determine the price that they receive for their sugar.

Senator LONG. Let me just make this clear. I didn't mean to suggest that the beet growers were benefiting from this price, I knew our cane farmers were not benefiting, I didn't know anybody else was.

Senator BENNETT. The beet producers, the farmers, will benefit to the extent of the increase in the average price after the entire crop year, in the calendar year.

Senator ANDERSON. Couldn't we agree they will profit more than the cane producers?

Senator BENNETT. I would think more than Senator Long's cane producers because of the accident of the pattern in which they brought their stock in.

Senator ANDERSON. It is no accident. It was well planned.

Mr. MURPHY. Well, if there are to be higher sugar prices there is no place we would rather the benefit go than the producers and the farmers.

Senator BENNETT. Including both beet and cane.

Mr. MURPHY. Including both, by all means.

Senator BENNETT. Well, this comment is a statement for which I can't quote my authority. The statement is made that under the processor-grower contracts the farmers get more than two-thirds of the net proceeds from the sales of beet sugar. This is out in the West.

At today's prices, beet farmers are receiving only parity returns. Since a large share of the 1962 crop was sold at lower prices, farmers may not even receive parity for their 1962 crop, as a whole; returns per tons of beets including payments for crops in recent years and as a percent of parity are shown in a table, and I would like permission, Mr. Chairman, to put that table in the record.

The CHAIRMAN. Without objection.

(The table referred to follows:)

Beet production in recent years was as follows (short tons, raw value) :

1962.....	2, 580, 000	1959.....	2, 310, 000
1961.....	2, 422, 000	1958.....	2, 214, 000
1960.....	2, 475, 000	1957.....	2, 213, 000

Beet marketings in recent years are as follows (in short tons, raw value) :

1962.....	2, 410, 000	1959.....	2, 241, 000
1961.....	2, 607, 000	1958.....	2, 240, 000
1960.....	2, 165, 000	1957.....	2, 080, 000

Prices in effect on May 27, 1963, in the various territories in which both beet and cane are sold were as follows (per hundred pounds) :

Chicago west territory :		Pacific Northwest :	
Beet-----	\$13. 25	Beet-----	\$13. 25
Cane-----	16. 50	Cane-----	15. 25
Intermountain (Utah-Idaho) :		California :	
Beet-----	13. 25	Beet-----	13. 50
Cane-----	15. 35	Cane-----	15. 25

Year	Returns	Percent
1961-----	13. 54	83
1960-----	13. 01	80
1959-----	13. 50	81
1958-----	14. 02	88
1957-----	13. 40	88

Senator BENNETT. I appreciate the opportunity of saying a good word for the beet producers because, as I said earlier, I am very proud of the fact that they have attempted within the limits of the amount of sugar they had to throw in against the market to act as a brake on this runaway price, and they are still selling beet sugar at approximately from \$2 to \$3 a hundred pounds lower than cane sugar is being sold in the markets, in which the two appear.

Senator CURRIS. Before you yield the floor, I would like to ask a question at that point.

Was there anything unusual or unpredictable or irregular or unexpected in connection with the production of sugar domestically that contributed to this unusual price rise?

Mr. MURPHY. Not to my knowledge. Do you know of anything?

Mr. MYERS. No, Senator; there was not. There was, of course, that freeze down in Florida last year, but it did not affect any great quantities of sugar.

Senator CURRIS. There is no evidence of anyone taking an advantage, no evidence of a manipulation or no evidence of a failure to fulfill their full part on the part of domestic producers and processors, isn't that true?

Mr. MYERS. That is correct, so far as I am aware.

Senator CURRIS. Thank you.

Senator BENNETT. To complete the record, I would like to repeat again, that it has been necessary for the beet processors to protect their inventories for their own markets during the last few weeks when they were selling below the eastern market, all of their sugar could have been drawn off into the eastern market and they have been attempting to protect themselves.

There is just one question about an item in your statement, Mr. Secretary, that may not be entirely clear, and I would like Mr. Myers to comment on it.

It is your item 10, which says, "On May 6, 1963, requirements were increased 600,000 tons to 10.4 million and deficits were declared of the beet sugar areas' share of the increase."

In other words, the beet sugar producers, since the crop was harvested last fall, were not in a position to take their full share of the increase, and this figure of 291,000 does not represent a net deficit in beet sugar, but just simply represents a share that theoretically could have gone to them which they could not supply, is that right?

Mr. MYERS. Yes, Senator, unfortunately in the Sugar Act over the years we have gotten into a technical jargon that is most unfortunate and difficult for people to comprehend.

The 600,000-ton increase in so-called requirements was, of course, in quotas.

Senator BENNETT. That is right.

Mr. MYERS. And we believe that the sugarbeet industry can market around 2,700,000 tons on the basis of the supplies that they had on hand at the beginning of the year from the old crop, plus what they can get marketed out of the new crop that they will harvest this fall.

When we raised the total quotas to 10,400,000 tons, it would have increased the beet quota to almost 3 million tons or by 291,000 extra, and I think it was agreed by everybody that starting as of this date they were not prepared to fill that addition.

Senator BENNETT. So this is a theoretical deficit and not an actual deficit in terms—

Mr. MYERS. It just means they have not been able so far to grow up to that additional expansion which frankly, we expect them to do next year from the crop they will produce this fall.

Senator BENNETT. Also you expect next year certain plants which have been authorized by the Department will be on the production line.

Mr. MYERS. We expect three things, Senator: (1) we expect new plants and enlarged old plants; (2) we expect additional plantings, and (3) which gets back to the question Senator Curtis was asking a little while ago, we would assume that with normal sucrose content of the beets, normal weather conditions, we would have an even bigger yield per acre than we had in either of the 2 past years right here in our own beet area.

Senator BENNETT. Thank you, Mr. Chairman. I appreciate this opportunity to develop this information.

The CHAIRMAN. Senator Smathers.

Senator SMATHERS. Referring to that which the Senator from Utah has been talking about, I wonder if you would explain for the record, why it is that cane sugar brings a higher price generally speaking than does beet sugar? [Laughter.]

Mr. MYERS. Secretary Murphy has asked me to take that hot one. [Laughter.]

Senator CURTIS. Chemically is it any different?

Mr. MYERS. The chemists tell us that there is no difference, Senator, and I believe they are now both manufactured to a degree of perfection which is called the most pure chemical that we have or one of the most pure.

Senator Smathers, the answer is that our refiners have to pay this high world price and frankly they are caught up here with the whole \$13.20-a-hundred-pounds raw price with \$16.50 being just a little bit more than their usual refining in addition.

The beet folks have had their normal supplies, they are not dependent on oversea supplies, and I hope I won't have to get into company discussions of this but there was a division of opinion within the beet industry, some of the beet people feeling very strongly that they had made representations to the Congress and to the American

people that they would not take advantage of high world prices, and that, I think, explains this wide disparity between beet and cane prices at the moment.

Senator SMATHERS. In other words, what I will remember most about what you have said is that you don't really want to discuss this. [Laughter.]

Would it have contributed to the alleviation of the present situation or might we have avoided it altogether had we had a greater production of cane and beet sugar domestically?

Mr. MYERS. Senator, if we were on a domestic self-sufficiency basis, of course, we could insulate ourselves from the world market; we have built up a domestic supply from our mainland and offshore domestic areas to fill 60 percent of our total requirements, as Secretary Murphy pointed out.

Naturally, the more self-sufficient you are, the less you have to depend upon world prices.

Senator SMATHERS. Forgetting for a moment the foreign involvements in this whole sugar matter and looking at it totally from a domestic viewpoint, would it be the inclination of you or the Secretary to make a recommendation that the domestic producers of beet and sugarcane have an increased quota so that in the future we would not find ourselves in this shortage where we are subjected to the combinations of world speculators?

Mr. MURPHY. If I may respond to that, Senator, we have already taken restrictions off production of beets for this year, 1964, and 1965, and cane for this year and 1964.

Certainly, we would hope that production will increase as a result of this action. As to a permanent division of the market, quotas between this country and foreign countries, we would not be prepared at this time to make any recommendation.

Senator SMATHERS. You said a moment ago that you went out and got commitments from foreign countries to supply to the American market, certain amounts of sugar.

When you said that, what price did you pay for those commitments with respect to the world price?

Mr. MURPHY. We do not fix the price, Senator.

Senator SMATHERS. You don't fix the price?

Mr. MURPHY. We have nothing to do with the price, no authority under the act.

Senator SMATHERS. You just say, "Send sugar, will pay." How do you do it?

Mr. MURPHY. The sugar is purchased by private purchasers in this country. In the case of the global quota when parts of that are opened up and commitments are asked for, we ask the importers who want to bring the sugar in to provide some financial assurance that they will fulfill their commitment to bring it in and they post a bond which as I recall is half a cent a pound.

Senator SMATHERS. You mean these people who sell sugar say, "All right, we will agree to deliver you  $x$  number of tons but we won't tell you what price we are going to charge for it."

Mr. MURPHY. They agree to deliver to someone in the United States, not to the Government.

Senator SMATHERS. But don't they make some arrangements with respect to the price?

Mr. MURPHY. Not with us.

Senator CURTIS. Would you yield right there briefly?

Under the 1950 act they did, didn't they?

Senator SMATHERS. I hope it will be brief.

Mr. MURPHY. I don't know.

Senator CURTIS. Because they got the American price?

Mr. MURPHY. My sketchy acquaintance with this subject does not go back that far.

Mr. MYERS. Senator, there never has been a provision in the Sugar Act for any foreign seller to guarantee to our Government the price at which he would sell sugar to the United States. We regulated the price in the United States in a general sort of way by increasing or decreasing the quotas which affected the price. When there were huge world surpluses, and particularly when the supplies of pre-Castro Cuba were available, our market could be stabilized easily.

Senator CURTIS. I will develop it further. I won't affect Senator Smathers' time.

Senator SMATHERS. As I recollect it, when Senator Anderson, then Secretary of Agriculture, went down to Cuba in the early days of World War II and arranged for them to produce more sugar, he arranged to get a price from them of some 4 cents when the world price was 11 cents.

Mr. MYERS. That is absolutely correct, and I had the pleasure of working with him on that.

I did not happen to go to Cuba with him.

Senator SMATHERS. Well, when you say that has never been done by the Government, that is one illustration—

Mr. MYERS. When I was talking to Senator Curtis, I answered his question on the basis of the provisions of the Sugar Act.

As I said a few minutes ago, when Senator Anderson was Secretary of Agriculture and went to Cuba, he did not wave the Sugar Act at the Cubans. No, it was not that. It was the power and the finances of the Commodity Credit Corporation and I am sure he will confirm that.

Senator SMATHERS. He didn't act illegally, did he?

Mr. MYERS. No, sir; he was in charge—

Senator ANDERSON. Thank you. [Laughter.]

Senator SMATHERS. What I don't understand is when you are bargaining for sugar to be used domestically with these countries, why you can't make some arrangement similar to that which then Secretary Anderson made as to what the price is going to be.

Mr. MYERS. Senator, maybe you can conceive of how we can go to countries, quota holders or nonquota holders, and by some persuasive method urge them and get from them commitments to sell us sugar at half the world price.

I don't think it can be done. Senator Anderson went to Cuba at the time that Cuba was in the war with us. There was a tight control of shipping, it was necessary for the two governments to work together. Cuba took the supplying of sugar as part of its war contribution, and we did not have a situation where Cuban sugar was freely

flowing out into the world markets such as the situation we have today.

Senator SMATHERS. Cuba could have sold that sugar however at a higher price than it received from the United States.

Mr. MYERS. There were a few places where sugar was being sold in the world market that were not in this Caribbean area. I think the price got up to around 17 cents a pound in some of the world markets, about at that time, but it was what you might call exotic supplies.

It was not the Caribbean, the Cuban, and Puerto Rican, and Dominican sugar that was all in this centralized supply area.

Senator SMATHERS. Would it not make for a more orderly sugar market here and throughout the world, if, in fact, we did give to each foreign country a specified quota, which they could sell in the United States?

Mr. MYERS. Senator, unless you do more than that, I don't think it will do any good in a situation of this sort.

Senator SMATHERS. I can't quite hear.

Mr. MYERS. I do not believe that a mere country quota system would have worked. I will be perfectly frank: If we had nothing but country quotas in effect this year, I think we would have been so restricted in our sources of supply that we would have had to declare an emergency and throw them all off.

Senator McCARTHY. Will the Senator yield?

You couldn't have been any worse off, could you?

Mr. MYERS. Yes, Senator, we would have been much worse off.

Senator McCARTHY. You wouldn't have had to buy as much in the world market. I don't see how you could have been any worse off if you had had larger assignments on a country-by-country basis.

Mr. MYERS. Senator, South Africa has a quota of 22,000 tons. It is supplying us this year 133,000.

Senator McCARTHY. But if you assigned them 50,000 tons last year.

Mr. MYERS. All right. Last year it supplied us 93,000.

Senator McCARTHY. All right.

Mr. MYERS. This year Argentina that had no country quota under the act, it was given 20,000 tons by the President.

Senator McCARTHY. What I don't understand is how you could be worse off if you go on the global market.

Mr. MYERS. I am trying to explain, Senator.

Senator McCARTHY. You could get a million tons instead of a million five hundred thousand tons when you have a tight market. Even if these countries didn't supply you you wouldn't be worse off.

Mr. MYERS. If I may answer the question, I think I can. I think it is subject to quantitative measurement.

Argentina is an excellent illustration. The Congress gave them nothing, perhaps it was by accident. The President, under a subsequent amendment to the act, assigned them 20,000 tons. A year ago they had a very modest crop, they supplied us 10,000 tons. That quota was only in effect a half year a year ago. This year with a good crop they are supplying us 237,000 tons of sugar.

How the Congress or how anybody else could forecast a year in advance or several years in advance that the Argentine would be able in 1963 to supply us 237,000 tons when last year it could only supply us 10,000 tons, I wouldn't know.



Senator McCARTHY. That is beside the point. I don't think that answers my question at all. I think it is utterly unrelated to the point I was making. You don't have to guess as to how much they were going to produce. Did they apply more acreage in Argentina? Is all this sugar they are providing us now grown in Argentina, do you know?

Mr. MYERS. I do not know.

Senator McCARTHY. You don't know.

Then I don't think it is related to my question.

Mr. MURPHY. If I may make a comment on this, it seems to me the point is if all the sugar were allocated to country by country quotas, we would have to wait and see if the sugar from the countries that had the quotas would be supplied. Since we had a global quota we did not have to wait and see for that part of the sugar that is represented by global quotas. We could go to countries that didn't have quotas, countries that might not have quotas under a complete quota system and in great probability countries that had no quotas or quotas much smaller than the quantities we were able to get from them.

Actually, we think the combination of global quotas and country quotas has helped to meet this situation about as well as any combination could have.

Senator SMATHERS. If we go to the global quota, don't you cause great plantings in countries which will someday end up with everybody having a good crop in the same year and having sugar literally running out of their ears? You then have a surplus market to a point where they don't know exactly what it is they can sell.

Is all this sugar they are providing us now grown in Argentina, do ment of foreign countries as well as ourselves?

Mr. MURPHY. Well, I think the benefits will be distributed differently among different foreign countries, it might work to the detriment of some foreign countries, but at the same time it would be to the advantage of others.

Senator SMATHERS. What I am trying to say is people who are smart enough to go out and buy it; they run the whole sugar market; is that right?

Mr. MURPHY. In our judgment it does not.

Senator SMATHERS. In your judgment it does not?

Mr. MURPHY. I would be glad to have Mr. Myers make any additional comment he might wish to make about this.

Larry, do you have anything you wish to say?

Mr. MYERS. If anybody has cornered the world sugar market, I haven't heard of it. The supplies are coming in from all over the world, and as the Secretary pointed out, the global quota has given us flexibility. Anybody, whether he be a quota holder or a nonquota holder could offer supplies under that quota, and they have.

Senator SMATHERS. Would you not agree if you were the Secretary of Agriculture in Argentina and you knew exactly what you could sell in the United States the following year, would it not lead to a more orderly agricultural program as far as you were concerned when you knew that you had a set market in the United States for a certain amount of sugar, rather than to just say, "Well, I am not just exactly certain how much sugar we should let be produced because we just don't know?"

Which would be more orderly insofar as Argentina was concerned?

Mr. MURPHY. Looking at it from our standpoint, it seems to me it would be quite different if Argentina had some obligation to the United States to fill that quota.

Senator SMATHERS. Well, when you give them a quota, I don't know of any country that had the sugar who just put their foot down and said, "We are not going to deliver it."

Mr. MURPHY. Fortunately none of them has.

Senator SMATHERS. I don't think any of them will, because this is the best market in the world. They want it to continue. So, if they are granted a specific quota they want to keep that quota and they want to protect that quota. It helps them in their orderly operation of their government.

Anyway, let's get on. We can argue about that later.

What is happening to the Cuban sugar—is it all going to the Soviet Union?

Mr. MYERS. Senator, a very large share of the Cuban supplies have gone to the Soviet Union, Red China, and other Communist countries.

Senator SMATHERS. At what price are they getting paid for it?

Mr. MYERS. Senator, I believe in 1959 Mr. Mikoyan went down and bought a million tons at, I believe it is 2.79, I have forgotten the exact price. Then in 1951 the Communist countries, as a group—

Senator DIRKSEN. 1961.

Mr. MYERS. Thank you, Senator Dirksen—1961. In 1961, the Communist countries, as a group, made a collective contract with Cuba for a total of 4,860,000 metric tons a year at 4 cents per pound, of which price 20 percent or 1.6 cents was to be paid in money, and the rest in barter. The Soviet, I suppose, named the prices on the goods they sent to Cuba.

Senator SMATHERS. Having bought all that sugar from Cuba, what is the Soviet Union now doing with it? Do you see any evidence of the Soviet Union selling that sugar at a higher price around the world?

Mr. MYERS. Not in quantities commensurate with the Soviet Union's increased takings of Cuban sugar. It has always had an export of a couple of hundred thousand tons a year to peripheral countries. It has increased those exports some, perhaps to a half or even three-quarters of a million tons, but it is not commensurate with their huge increases in imports of Cuban sugar. Presumably they have been eating more.

Senator SMATHERS. What did they sell the half million tons that they bought for 4 cents for?

Mr. MYERS. Whatever the world price was at the time, and I might say that the Communist countries were peculiarly inept sellers when they were in the world market.

For example, in 1961 they sold about 450,000 tons and in 1962 they sold about three-quarters of a million tons.

Senator SMATHERS. Did they get hard currency for that?

Mr. MYERS. Presumably they did, but at disastrously low prices. They were the ones, particularly Poland, that broke the world price down to that disastrous level of 2 cents a pound.

Senator SMATHERS. What is going to happen to the sugar market operating on a global basis when the day comes that Cuba is free, which we hope is not too far away?

Mr. MYERS. Well, Senator, I think you might ask, first: What are they going to do if they have no quota left and, second, what are they going to do if they have a million and a half tons which is about what they would get under normal conditions under the present legislation?

Cuba when it comes back will certainly first have to rehabilitate its domestic industry, that means make new plantings, that means rehabilitate its mills. Presumably it will recover gradually and we certainly assume that world consumption will be increasing.

Mr. MURPHY. If I may comment on that, Senator, I think, as I understand the law, the global quota as we call it would automatically revert to Cuba, and one of the problems we have is if in the meantime this global quota has been whittled away and carved up among other countries and they get country quotas and their economies get geared to the production of sugar under these quotas, it will be a much more violent operation, it will upset their economies a great deal more to take it away from them after they gear up to produce it under a quota system than it would to hold this global quota so to speak rather loose, so that it might more easily be returned to Cuba.

Senator McCARTHY. Would the Senator yield at this point?

Senator SMITHERS. I want to make this comment.

One of the reasons you think of to keep a global quota is when Cuba comes back you would be able to give Cuba a quota?

Mr. MURPHY. That is not the only reason but one reason, and we think it is an important one.

Senator McCARTHY. If the Senator will yield. Your proposal last year stated that Cuba would have to come back within 5 years and if they did not she would have had to be in the world market for 5 years.

Mr. MURPHY. That is true.

Senator McCARTHY. So they would have to get in 2 or 3 years. To get the premium price she had better get in the last 2 or 3 years to get the premium price.

I don't believe the quota holding back meant anything when you had the holdout phase last year.

Senator SMITHERS. That is all for me, Mr. Chairman.

The CHAIRMAN. Senator Dirksen.

Senator DIRKSEN. Mr. Myers, I want to correct one thing you said. You said, perhaps the Argentine was left out of the bill by accident.

Mr. MYERS. I didn't know.

Senator DIRKSEN. Nothing in Congress is accidental. [Laughter.]

In this list of 10 steps you have taken you began those 10 steps in November of 1962. Isn't it true that production started dropping in early 1961?

Mr. MYERS. Well—

Senator DIRKSEN. There were two beet failures.

Mr. MYERS. That is correct. The European beet crop in the fall of 1961 was down, it was down further in the fall of 1962. The Cuban crop in the spring of 1961 was a record of 7½ million tons, it fell to 5,400,000 tons in the spring of 1962, and down to this disastrously low level, nobody knows exactly what, at present.

However, keep in mind that up through 1960-61 crop year, world stocks were increasing. The surplus was growing greater and greater and greater. The realization that the supply trend had turned seemed not to soak in during the 1961-62 crop year.

As a matter of fact, sugar was being sold at reduced prices for livestock feed as late as last October of 1962.

I think part of the reason that the European plantings weren't larger this spring was not only the bad weather conditions, but also the fact that the people didn't really believe that the price had turned, and they were still worried about what is going to happen when the prices go back.

Senator DIRKSEN. Now, isn't it true that there was a flurry of buying on the futures market and actual sugar purchases as early as mid-1962?

Mr. MYERS. There were some purchases, I understand, in the futures market starting back in 1962. What you refer to as a flurry of buying of actual sugar, I would say came during the Taft-Hartley injunction period in the fall of 1962 when some of our consumers began to fear what would happen if the longshoremen's strike was resumed at the yearend.

Senator DIRKSEN. Why did you wait until nearly the 1st of December of last year before you initiated any moves in the sugar field?

Mr. MYERS. Well, the law requires that the determination of total quotas of so-called requirements be made by the Secretary of Agriculture in the month of December. We wanted to get out that announcement early so that these countries would have an understanding of how much sugar was available under the quotas, and also to get in some offers under the global quota and barter arrangements.

Senator DIRKSEN. You find some comfort, I believe, in the fact that for 4 successive days the price of raw sugar has dropped.

Mr. MYERS. That is correct.

Senator DIRKSEN. Do you know the sugar brokers called Keiser & Co., national sugar brokers, who have been in business for 85 years and operate out of about 10 offices in the country?

Mr. MYERS. I know of that firm; yes, sir.

Senator DIRKSEN. Well, I will tell you what the Keiser people say in their 1963 analysis:

The time has come for action. It had better come fast before the year 1964 is also lost to exorbitant and unbearable sugar prices for the American people.

Now, evidently—

Mr. MYERS. What date may I ask? Is that one of the market letters?

Senator DIRKSEN. It just came to my desk.

Mr. MYERS. Isn't there a date on it? There usually is.

Senator DIRKSEN. I don't see any date on it.

Mr. MYERS. I was wondering if they have said that since they know that we have nearly 10,300,000 tons assured for this market this year. Understand, there is a lot of thinking and the Department has studied the proposition of taking early action as to 1964, but I do think that the 1963 requirements are pretty well underway and one of the last telephone conversations I had last night was from a broker, not the Keiser Co., but another brokerage company, bemoaning the fact that some people who had bought sugar futures to protect their future needs are now in a rather desperate situation having to put up additional margins and unable to find buyers to close out their futures.

Senator DIRKSEN. Do you know the firm of Longstreet & Abbott and also Clayton Brokerage of St. Louis?

Mr. MYERS. I do not.

Senator DIRKSEN. Well, this is an article, I take it, from the *Globe-Democrat* in St. Louis under the caption "Sugar Prices Soar and May Go Higher."

I read you only one paragraph:

Eventually consumption should be rationed enough by high prices which at the same time would stimulate production so that tightness should ease over the long term. It is currently thought that this cannot occur before the spring and summer of 1964.

They don't share your optimism from the understanding I got.

Mr. MYERS. Senator, forecasting of prices is a difficult task and that is why we would rather tell you what has happened in the past few days rather than what will happen in the future.

As a matter of fact, you can get an editorial in the *Washington Post* of this very morning that again still fails to recognize what has been happening in the sugar market in the last few days.

Senator DIRKSEN. Now, getting back to our distinguished chairman's first question which, of course, is, Who killed cock robin? can't you take 2 minutes and just capsule this thing and tell us why we have had this sugar price flurry? We have now listened for 2 hours and 15 minutes and I am one of those obtuse people who gets a little bewildered by testimony.

Were you there in the sugar section when I was chairman of the House Subcommittee on Agricultural Appropriations?

Mr. MYERS. No—

Senator ANDERSON. Yes, you were. [Laughter.] He wasn't the Director of the branch. Mr. Wilson was the Director of the branch but Mr. Myers was there, I believe.

Mr. MYERS. Let's check on the year.

Senator ANDERSON. It is 1946-47.

Mr. MYERS. I went to the sugar division in 1946, I became Director in 1948.

Senator ANDERSON. Senator Dirksen was chairman of the committee in 1947-48.

Senator DIRKSEN. That is the year I got the Sugar Act abolished with a provision in the appropriation bill.

Mr. MYERS. I do seem to have a slight recollection of attending a conference that you held with Senator Anderson when he was Secretary. I probably did attend that meeting.

Senator DIRKSEN. Before I get an answer to the other question now, how much are you taking in now from the processing tax?

Mr. MYERS. The processing tax of a half cent a pound or \$10 a ton has been running 10 times the total consumption or \$95 million a year.

Senator DIRKSEN. How much goes out in subsidiaries?

Mr. MYERS. About \$83 million, as I recall.

Senator DIRKSEN. So you are making a little money on it.

Mr. MYERS. That is correct.

Senator DIRKSEN. Well now, after the manner of Major Cooper, give us a *Faith 7* capsule that will encourage people and tell them that you have got this under control, and put it all in a 2-minute package.

Mr. MYERS. Senator, I have already been accused of never using 1 word where 10 can do.

So far as the American consumer is concerned we think we need for consumption in this country in 1963, including industrial usage, right at 9,800,000 tons. We have in prospect right at 10,300,000 or a half million tons in addition to what we think the country is going to need for consumption this year.

I don't know of any better reassurance, if I put it in a thousand words, than that.

You asked earlier why did this price situation arise, and reverting from words to figures that might be more brief and convincing, if we start with the crop year beginning on October 1, 1960, world production was right at 60 million tons.

The following crop year it was right at 56 million tons.

In the current crop year it will be below 56 million tons, somewhere probably between 55 and 56 million tons. Both last year then and this year world production has been below world consumption. That is what caused the price rise to start.

Some of our folks got nervous, thought we could not get our share, or our requirements, out of those tighter world supplies. I think we have now given assurance that we do have them under our control.

Senator DIRKSEN. When will you get the first substantial imports?

Mr. MYERS. They started in January, and go through the year.

Senator DIRKSEN. How large were they?

Mr. MYERS. By months, the imports started in January, 179,000 tons; February, 338,000; March, 367,000 and then is when, amusingly, then is when prices started up sharply, but April imports were 452,000; May appeared to be right at 486,000. Of course, the May figure isn't the final one. Scheduled imports for June are 380,000 tons; July, 346,000 tons; August, 388,000; September 585,000 tons; October, 582,000 tons; November, 495,000 tons; and December there is a little residual of 66,000 tons, and obviously at that time harvest will be underway and if we can use more sugar we can easily get it.

I will say that we are hoping that some of these fall deliveries will be pushed forward and I would expect that to happen.

Senator DIRKSEN. In this paper there are 10 groceries—I used to be in the grocery business.

Usually you always feature sugar. There isn't sugar mentioned in any one of these ads—Giant, Super, A. & P., IGA; take any. So they are not featuring sugar, they are not pushing sugar. They don't have to, because that is the first place you wheel a cart when you go to the store, just to see whether you can get a package of sugar.

Mr. MYERS. I would certainly assume that sugar, at present wholesale prices, would not be used by retailers as a loss leader. In fact, I would hope it would not be because that would lead to a dissipation of supplies.

Senator DIRKSEN. Now, you have no control over crops, but isn't the real difficulty here the high world price at the present time?

Mr. MYERS. Yes, sir.

Senator DIRKSEN. They have got the sugar, they know we need it, we have no control over the price, even though we have opened up the American sugar bowl to them, and they are more than glad to have this market, and so they will just sandbag the American market as well as they can.

Mr. MYERS. Well, Senator, it is the world price that is up. We have had a transition from a period of surplus to a period of shortage in the world market, and that has had its effect on world prices.

I think that it is useless for us to think that we can buy our sugar very greatly under the world price of sugar.

Senator DIRKSEN. Well, if we got commitments of 300,000 tons more than we probably need, isn't that going to keep that world price up?

Mr. MYERS. It hasn't been in the last few days since we got that.

Senator DIRKSEN. But you are talking, in a frame of a few days. What will it be in the next 3 or 4 months?

Mr. MYERS. Well, I would—

Senator DIRKSEN. The canning season has not yet started for the housewife. My peaches aren't ready yet.

Mr. MYERS. Well, you can buy futures in the market to satisfy your canning requirements.

Senator DIRKSEN. You see in the ice cream business it won't be sold until warm weather comes. Here is a bulletin by the International Association of Ice Cream Manufacturers. They think all this comes about, and I quote: "Because the State Department wanted to use sugar as an instrument of foreign policy."

I am just trying to isolate and find out, get a little package of fact, because there are a thousand letters over there on my desk. I want to tell them that Mr. Myers, the expert in the Department of Agriculture, says this, and I want to put it in two paragraphs and I don't have to write them a book.

Mr. MYERS. Well, Senator, if you will confine yourself to the total figures at the bottom of the tables that Secretary Murphy has in his statement, I would hope that that would begin to satisfy them that there is some sugar available.

Senator DIRKSEN. No, I am going to do better than that. This afternoon, I want you to write me a letter, I don't want it to be over three paragraphs long and I want you to say to me: "DEAR SENATOR DIRKSEN: This is what you can say to that whole body of protesters who are writing in about sugar quota," three paragraphs; and then I want to multilith your letter and I want to send it out.

Mr. MYERS. We shall do our best, Senator.

Senator DIRKSEN. You will send it to me, won't you?

Mr. MYERS. I will certainly do my best to do so.

Senator DIRKSEN. Thank you, sir.

(The following was later made a part of the record:)

U.S. DEPARTMENT OF AGRICULTURE,  
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,  
OFFICE OF THE ADMINISTRATOR,  
Washington, D.C., June 5, 1963.

HON. EVERETT MCKINLEY DIRKSEN,  
U.S. Senate.

DEAR SENATOR DIRKSEN: This is in response to your request for a brief summary of the reasons for the recent increases and subsequent declines in sugar prices.

The basic reason for the advance in sugar prices has been the reduction in world production, as a result of bad weather in Europe and communism in Cuba. Last year, world production amounted to 56 million tons, or about 2 million tons less than world consumption. It is anticipated that production will be less than 56 million tons during the current crop year. The resulting shift from a surplus

to a shortage situation in the world market caused world prices to rise from approximately 2 cents per pound at the low point in January 1962 to over 5½ cents per pound in the latter part of January 1963. Thereafter, the rises in world prices tended to result in higher prices in the domestic market.

The upward trend in sugar prices generated a buying movement in this country as distributors and industrial users bought for future requirements as well as current needs. By May 25, domestic sugar distribution was up more than 600,000 tons over that for the corresponding period in 1963. Industrial users as well as speculators are said to have made large purchases of contracts for future delivery on the New York Coffee & Sugar Exchange. These buying movements further stimulated prices, resulting in a peak domestic spot price of 13.2 cents per pound for raw sugar on May 22, 1963.

As it became known that supplies of sugar for the U.S. market would exceed requirements for domestic consumption, including industrial usage, prices fell. The first weakness came on May 23 when it was reported that the global quota was substantially filled. When the trade realized that assured supplies would exceed consumption requirements by more than 500,000 tons, prices started breaking the maximum limit of 0.5 cent per pound per day on the futures market and somewhat in excess of that on the spot market. On June 4, the domestic spot price was quoted at 9 cents per pound, down 4.2 cents per pound, or 31.8 percent, in 7 trading days. Prices of refined sugar in New York, which had been 16.3 cents per pound at the peak, have declined to 15.5 cents per pound, or about 9.4 percent.

Sincerely yours,

LAWRENCE MYERS,  
*Director, Sugar Policy Staff.*

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. Would you send me a copy of it? [Laughter.]

Mr. Secretary, was your testimony that the price of sugar on the northern market has gone down about one-half cent a day?

Mr. MURPHY. It has for 3 days in a row.

Senator ANDERSON. What keeps it from going down faster?

Mr. MURPHY. That is the limit that is allowed by the rules of the exchange as I understand it.

Senator ANDERSON. Has the Department any influence over the rules of the exchange?

Mr. MURPHY. No, sir; we have nothing to do with the sugar exchange.

Senator ANDERSON. Mr. Bagwell, under the Marketing Act do we have any control over the exchanges?

Mr. BAGWELL. No, sir; the commodity exchanges we administer do not include sugar.

Senator ANDERSON. By design?

Mr. BAGWELL. By congressional design.

Senator ANDERSON. Therefore, if you can't do anything with the price of this it only drops half a cent a day.

Do you believe that the world price will stay up long if the United States is out of the market?

Mr. MURPHY. We think it will go down, Senator.

Senator ANDERSON. Yes. In other words, as Sir William Rook said, if he quit buying for the British Empire and we quit buying for the United States there would be no world market left, is that not about right? There are a few countries that can buy a little bit but it is a limited amount. So, if the supply in this country is adequate, the world market is not too great, is it, thereafter?

Mr. MURPHY. We think that that is the case, Senator.

Senator ANDERSON. Yes.

You established a marketing quota originally of 9.8 million short tons.



Mr. MURPHY. That is right.

Senator ANDERSON. Do you think that is adequate?

Mr. MURPHY. That is adequate to meet the actual consumption, but—

Senator ANDERSON. What more do you need?

Mr. MURPHY. Well, the law provides that we should fix a marketing quota which would also include such amounts as might be stockpiled.

Senator ANDERSON. Yes.

Mr. MURPHY. After that quota was fixed, there appeared a new, substantial new element which was the stockpiling and that was in the first part of this year a half million tons. So that did require, and is, we believe, the principal thing which did require, an increase in the estimate.

Senator ANDERSON. Well, that is under section 201 of the act.

Mr. MURPHY. Yes, sir.

Senator ANDERSON. Now, did you subsequently raise the amount?

Mr. MURPHY. We increased the amount from the 9.8 million to 10.4 million, I believe it is, in May.

Senator ANDERSON. Do you see anything that is going to improve the situation this year?

Mr. MURPHY. As to price?

Senator ANDERSON. No, as to quantity of sugar needed by the American public.

Mr. MURPHY. Well, we expect the quantity actually used by the American public will be 9.8 million tons.

Senator ANDERSON. So you really expect a surplus of a half million tons after the year is over?

Mr. MURPHY. That is correct.

Senator ANDERSON. Have you made that abundantly clear to the American public that there is a big surplus hanging over the American market?

Mr. MURPHY. We began to make it clear a week ago today as I recall. Up until that time we did not feel we could give them very firm assurances. We have felt for the last week we could give quite firm assurances and we have tried to do this at every reasonable opportunity.

Senator ANDERSON. Now, as the Senator from Illinois pointed out to you, some of these facts were known here in December, weren't they? There had been little flurries in the market, evidences of speculation, had there not?

Mr. MURPHY. Perhaps the most significant fact was not known to us in December because it had not then occurred.

Senator ANDERSON. What significant fact?

Mr. MURPHY. This was the stockpiling by sugar users in this country.

Senator ANDERSON. Well, the child having been burned would stay away from the fire next year.

Now, will you put plenty in for stockpile next year? What would happen, Mr. Secretary, if the Secretary of Agriculture in December of this year used a 10.4 million quota instead of a 9.8 million quota.

Mr. MURPHY. We will want some opportunity to consider that at some length but as of now—

Senator ANDERSON. The price of sugar would go down.

Mr. MURPHY. We would hazard a guess this would be a helpful thing to do.

Senator ANDERSON. The price of sugar, I mean, would go down, wouldn't it?

Mr. MURPHY. In all probability, yes. This depends some on the relation in the supplies of the world outside the United States to supplies inside the United States.

Senator ANDERSON. And while you can't control the commodity markets you can influence the markets, can't you?

Mr. MURPHY. We can.

Senator ANDERSON. I know Mr. Bagwell will remember that the Argentine tried to charge this country a tremendous price for some linseed oil when we were completely out and the Department assumed it would have a \$6 price support for flax, which is extraordinary and unusual and extremely high, and people began planting flax all over the country from Minnesota to Montana and the Argentine had more people up here in a short time than you ever heard of with reasonable prices for linseed oil because that meant there would not be a shortage in the market and they wouldn't get their price.

I am only saying if the Secretary wants to do something about the sugar speculation and I am sure you recognize it is speculation, not shortage, that is causing the price to go up, he can announce quickly that in the following year he may take in consideration stockpiling as well as the factor set forth in the law.

The law says in order to make such determination the Secretary shall use as a basis the quantity of direct consumption sugar distributed for consumption as indicated by the statistics and shall make allowances for a deficiency or surplus in inventories of sugar.

Now, if the Secretary says in December they had about 500,000 tons too much last year and we will let 10.4 million come in, needing only 9 million, and he cuts the quota down to 9 million tons you can expect wild speculation and 25-cent sugar prices.

But if he says, "I think there is a need for a great deal of stockpiling because all these speculators have been stockpiling, you will see the sugar price come down."

The American producer is pretty well protected, isn't he?

Mr. MURPHY. This, Senator, I think, is all very true but I think it would be helpful to remember that this does not always go the same way. In the fall of 1961, as I recall, we had quite a reverse kind of a problem.

The price of sugar was what seemed to us to be too low, and this was reflected very directly and acutely in the price received by sugarcane producers in Louisiana, among other things.

Senator ANDERSON. Yes, but they didn't—

Mr. MURPHY. This raised a question as to whether or not the current estimate of consumption was not too low. So, I think we have to recognize, first, that this margin of difference between having too much so it depresses prices, and having too little so that prices are increased is sometimes relatively narrow.

Senator ANDERSON. I am just afraid we are going to have this back with us again next year and I just wanted to see that the Secretary

does recognize that he has some control over the amount of speculation that takes place in sugar.

Mr. MURPHY. We recognize that our actions have a very considerable influence.

Senator ANDERSON. You announced here a while ago that inventories had built up 500,000 tons.

Do they now have an extremely long—this is from your position in terms of physical stocks, some part of which at least has been acquired at very high prices.

Taking up 500,000 tons surplus extra to what you ordinarily have in inventories they have not got it there for use, they have got it there for speculation, haven't they?

Mr. MURPHY. Well, this is what the experts refer to, Senator, as the invisible supply.

Senator ANDERSON. Invisible?

Mr. MURPHY. Invisible.

Senator ANDERSON. Yes.

Mr. MURPHY. I understand the reason they use this term is because they don't know where it is. The kind of records we have do not disclose where this sugar is. From the information I have gathered so far I would expect that it is mostly in the hands of industrial users, confectioners, and soft drink manufacturers.

Senator ANDERSON. You have no authority to find out where this is?

Mr. MURPHY. There is in the act a provision that authorizes us to get information from almost anyone who has anything to do with sugar.

Senator ANDERSON. Precisely. So if you want to know where the invisible inventories are, you can find out, can't you?

Mr. MURPHY. We can, I think it would be a relatively major undertaking but I think we can.

Senator ANDERSON. When the sugar price jumps as far as it jumps this year you need some major undertakings.

Mr. MURPHY. We do. I think the people who are in the most trouble in this situation, I believe, are the confectioners and the other industrial users of sugar. We have had some fairly interesting experiences and observations from them. We had one candy manufacturer, for example, who came in to talk to us about this and we asked him about normal supplies, what supplies he carried normally and he said about 2 weeks. We said, "What supplies do you have now?" "Six weeks."

There came another group of confectioners to visit with me and one of them said during the course of the conversation, "If I was having to buy the sugar that I am using now I would be in a terrible fix at present prices."

Senator DIRKSEN. Will the Senator yield at that point?

Well, the national confectioners had their convention here last week.

I went down to make them a speech and all they wanted to hear about was sugar. They didn't have any sugar, at least judging from the expressions I heard.

Mr. MURPHY. I think they had substantial quantities of sugar, Senator. I think it would differ from one manufacturer to another. I think they were greatly concerned and properly concerned about the

price, because even though they had inventories to meet their immediate needs, they want to stay in business, the fall of the year is their busy season, they manufacture confections for Christmas. naturally they wanted to be assured of adequate supplies of sugar at reasonable prices. I am glad to say that since the events of last week when they were here, we have had letters from a number of them expressing their appreciation for what has been done, and their pleasure at the turn that has occurred in the marketplace.

Senator ANDERSON. May I say, Mr. Secretary, that when the situation arose in about 1946 or 1947, soap got very scarce and the housewife began cleaning off the shelves just as fast as she could get to them and the three, I hope it is proper to say three, principal soap concerns, I hope the fourth, fifth, sixth, and seventh will not be excited, came down and asked for soap rationing which looked very difficult.

Instead of that the Department of Agriculture gave them what we called an extended right to use a substance that doesn't make good soap but increases the number of bars of soap they get with the same amount of fats and oils and accompanied by a statement that there never would need to be soap rationing in the United States.

It wasn't a month before the soap manufacturer was down here again saying, "For God's sake, say something about a soap scarcity; we are not selling any soap."

They had it put away on the tops of closets.

If this sugar is being hoarded, 500,000 tons that you indicate is being hoarded, a strong statement it seems to me by the Department about the adequacy of present supplies and your intention to keep them adequate, come what may, would be very useful.

You put out a publication now called Sugar Statistics.

Mr. MYERS. Sugar Reports.

Senator ANDERSON. How often is that put out?

Mr. MYERS. Once a month.

Senator ANDERSON. Once a month.

Well, in order to report on what the situation is, don't you have to get information for it?

Mr. MYERS. Yes, sir. We do.

Senator ANDERSON. Therefore, you do have information, to answer the chairman's question, as to how much the retail price of sugar has moved up or can get it, can't you?

Mr. MYERS. Senator Anderson, the retail prices have been collected by the Bureau of Labor Statistics, and they have been collected for many, many years. The Government is doing it in an adequate way, and we do not attempt to duplicate in the Department of Agriculture what the Department of Labor is doing.

Senator ANDERSON. I recognize that. I am only saying in order to recognize what the sugar situation is you have to recognize what the price is.

Mr. MYERS. It varies all over the lot at the moment. Some prices have gone up tremendously, some have not. Some have reflected the market, some have even reflected future prices.

Senator ANDERSON. I notice that the Department wants to reduce the production of sugar in the Virgin Islands. Would that not be a fairly light resource for sugar production if you really wanted it?

Mr. MYERS. Utterly insignificant, Senator. The Virgin Islands, I think, has a quota of 15,000 tons.

Senator ANDERSON. And it could have how much?

Mr. MURPHY. It could not produce very much more sugar than it does produce, Senator. There is relatively little land in the Virgin Islands which is suitable for the production of sugar, as you recall, about 2,000 acres.

Senator ANDERSON. I know. But it has been greatly reduced over the years. I want to say I hope that we attempt and start increasing our own areas, because the Virgin Islands is a problem. Rather than paying the amount of money we pay, by increasing the production of sugar in the Virgin Islands, we might take one load off our back.

Mr. MYERS. Senator Anderson, I would like to comment on that. The Virgin Islands are very poorly qualified as an area to produce sugar. The island of St. Croix is the only one that does. It has very inadequate rainfall. It has seldom been able to fill its quota.

Senator ANDERSON. But there was a time when the islands were under Danish rule that it produced a tremendous amount of sugar from thousands and thousands of acres. The mill is there to handle it. Yet the recommendation of the group who studied the Virgin Islands was to reduce still further the production of sugar in the Virgin Islands now. Why?

Mr. MYERS. The Virgin Islands have not been a satisfactory producer for years and years. They went completely out of production in the late 1920's. It was restored as a work relief project in the early 1930's, and gradually built up to a point where they have a quota of 15,000 tons which, I say, they seldom fill. I think they did fill it last year approximately.

Senator ANDERSON. There are many people down there who would like to see the production of sugar increased substantially. I know it is the policy of the Interior and Agriculture to cut off production of sugar and dispose of the mill and put in some other type of agricultural production. But I just thought at the present world price it would be a very attractive crop.

What about production in acreage of crops of sugar in the United States? Is there an additional opportunity, do you think, to increase the production here?

Mr. MYERS. Yes, Senator, up to the capacity of our present mills, and we hope that they will be modernized and increased, and new mills built.

Senator ANDERSON. What has happened to one of the mills in California; have they agreed to step up their production without much modernization?

Mr. MYERS. There is a new mill going up in California. I do not know the status of the individual mills. I think they have been planting almost as much acreage as they felt their mills could handle.

Senator ANDERSON. I am just wondering, I thought I saw some information indicating that the amount of time that the mill could run had been greatly increased by modern methods; is that not true?

Mr. MYERS. Yes. I know what you are talking about. You are talking about that mill down in the Imperial Valley.

Senator ANDERSON. That is in California.

Mr. MYERS. That has developed what they call a thick juice storage program to run the beets through the factory, take the juice out, thicken it down so as it won't spoil, and then run that through the mill

pretty nearly all through the year and greatly increase their capacity of their slicing time, that is correct. That has not yet so far been adopted by other mills.

Senator ANDERSON. No. I know you knew about it, Mr. Myers, because I think you talked to me about it, and I advised you to keep track of these things.

Mr. MYERS. That is correct.

Senator ANDERSON. Would it not be better to induce other mills to increase their capacity?

Mr. MYERS. Senator, if I may speak for the minds of the Department, I think we had a few needles in mind in taking off the acreage controls not only for this year but for next year and the year after and, in effect, telling them if they did not get busy and produce to capacity and expand their production capacity they would be left behind the next time restrictions have to be imposed.

Senator ANDERSON. I want to say, Mr. Secretary and Mr. Myers, that I strongly commend the prompt action you have taken to announce these controls are going to be off in 1963, 1964, maybe 1965, because I do believe you will get a substantial increase in production.

You take acres that otherwise might be put under some voluntary retirement system costing the Department a great deal, and have a rich production coming from them, which will be extremely helpful to the Department. I think it is a fine thing, and I think you ought to be commended for it.

I hope we may get some additional plants and, of course, I recognize that the two people who struggled hardest with the amendment to get the additional plants were the Senator from Oklahoma, the late Senator from Oklahoma, Mr. Kerr, and the senior Senator from New Mexico, and not a single plant is even close to Oklahoma nor ever will be, and thus far we got a little dribbling of acreage in New Mexico. But Arizona did well, and Texas and California did well, and they should feel happy about it.

You feel producers are going to get a very good return this year, do you not, in beet areas?

Mr. MURPHY. This, I think, is something which Mr. Myers can certainly comment on better than I. But I think it is too soon to comment on what the average price is going to be, Senator Anderson.

Senator ANDERSON. If you get a high price for part of the year and a very substantial price for the rest of the year it averages out.

Mr. MURPHY. That is correct. Part of the year when you have a higher price it reaches a higher average.

Senator ANDERSON. Then you should be encouraged to try harder next year. I think the figures used by Senator Bennett are very interesting because there is a substantial increase in the sugar in the United States that is coming from these beet areas. I think it is commendable and I am very happy that the beet producers are doing it.

I want to express the hope that they get the figure for next year up pretty high, even if it may look like it is producing some surpluses, because we will find it very simple then to deal with some of these other world areas.

As Mr. Myers correctly pointed out, the far offshore producers were hopeful of getting 15, 17 cents at the end of World War II. I think Sir William Rook paid 5 cents for the sugar he bought for the British Empire, and we paid 4 something for the sugar we got here, because there was an abundant supply close at hand.

The only hope we have got for keeping world price down is the amount of production of the American producer. I would hope the Department would stress real hard in its meetings the possibility of increased sugar production.

The mills can handle it, I believe, and the American consumers can use it, and we won't have to pay some of these world prices we are now paying.

I commend you for the fair steps you did take in trying to correct this situation. That is all.

Mr. MURPHY. Thank you very much, Senator.

I might add we are continuing to try to encourage domestic production of sugar in these years just ahead.

Senator ANDERSON. Well, you will get a big story told you that you are going to have 600,000 tons too many come in next year, therefore you had better trim it down next year.

Let us wait and see how it comes out with good production.

Mr. MURPHY. We would feel our overriding obligation is to assure adequate supplies of sugar to the American people.

Senator ANDERSON. I think if you would announce a quota next year of 10.4 million tons, which is what you finally got to this year, you would see a sugar price that was pretty realistic right at once.

Mr. MURPHY. We will give that most careful and respectful consideration, sir.

Senator ANDERSON. Thank you.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Chairman, I understand we will have the Secretary back next week to finish up this hearing and, therefore, I am going to pass on asking my questions at this time.

However, I do have a list of questions which I will submit to the Secretary after the meeting, and I would like for him to be prepared to answer them when he comes back. I would prefer to see the answers to the questions before the meeting.

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

Senator WILLIAMS. There are statistics and certain information which I would like you to help me obtain before next week.

Mr. MURPHY. We will be happy to have answers to the questions, Senator, and do the best that we can to furnish the answers.

Senator WILLIAMS. And you will furnish me with the answers to them on the day before the hearings if you can?

Mr. MURPHY. As nearly as we can. Before I make a blanket commitment I would like to have an opportunity to see the questions.

Senator WILLIAMS. Surely, but as nearly as you can you will furnish me the answers the day before.

The CHAIRMAN. Senator McCarthy.

Senator MCCARTHY. Senator Gore.

The CHAIRMAN. Senator Gore.

Senator GORE. Mr. Secretary, you have testified that the producers will share in the high prices being paid by consumers for sugar now. Does the domestic consumer continue to get the high subsidy regardless of what benefits he may receive from the price of sugar?

Mr. MURPHY. The domestic consumer, Senator?

Senator GORE. The domestic producer.

Mr. MURPHY. The domestic producer would continue to get the payments under the act, as well as—

Senator GORE. No matter how much he may be remunerated for the sugar?

Mr. MURPHY. I believe there is no provision respecting payments that takes price into account; is there?

Mr. BAGWELL. That is correct, unless Congress refused to appropriate the money the payments would be made. It would have to be under the law.

Senator GORE. What is the average subsidy per producer in the United States?

Mr. MURPHY. I do not have that figure in mind.

Senator GORE. One of your men there ought to have it.

Mr. MYERS. Senator, it runs right at 70 cents per 100 pounds.

Senator GORE. I am speaking of per producer.

Mr. MYERS. Per producer? I apologize, Senator. We can get the figures, we have them, we publish them. I do not remember them.

Senator GORE. Is it in the order of \$5,000 a year?

Mr. MYERS. No, Senator. It would not average that. The bulk of the producers are small. There are a few huge ones, and what that average is, overall average, I do not remember, but we have the information. We publish it. It is just a matter of my memory not being able to give you the figure.

(The following was later received for the record:)

*Estimated average Sugar Act payment per farm according to size of farm, 1960 crop*

Size group (acres)	Sugar Act payment per farm					Number of farms				
	Domestic beet	Louisiana	Florida	Hawaii	Puerto Rico	Domestic beet	Louisiana	Florida	Hawaii	Puerto Rico
0.1 to 4.0 .....	\$131	\$58	-----	\$365	\$95	541	247	-----	212	8,748
5.0 to 9.9 .....	294	146	-----	943	294	2,585	263	-----	157	2,523
10.0 to 24.9 .....	688	402	-----	1,600	650	8,261	481	-----	204	1,863
25.0 to 49.9 .....	1,568	921	-----	3,289	1,491	7,555	483	-----	69	824
50.0 to 99.9 .....	2,832	1,826	-----	6,171	3,012	3,815	473	-----	16	442
100.0 to 199.9 .....	5,769	3,638	\$9,497	12,303	6,269	1,211	313	-----	5	270
200.0 to 299.9 .....	10,160	6,646	14,533	26,003	10,394	219	120	-----	2	1
300.0 to 399.9 .....	14,377	8,618	17,280	44,793	16,441	52	49	-----	4	1
400.0 to 499.9 .....	19,090	11,543	20,776	-----	-----	29	35	-----	1	-----
500.0 and above .....	28,685	20,878	240,845	301,889	61,094	29	83	-----	5	26
										60

<sup>1</sup> 200 to 250 acres.

<sup>2</sup> 250 to 500 acres.

<sup>3</sup> Average acreage per farm: domestic beet, 719; Louisiana, 1,368; Florida, 9,643; Hawaii, 3,641; Puerto Rico, 1,485.



*Sugar Act payments for large producers, 1960 crop*

Hawaii :	
Hakalau.....	\$155, 398
Hamakua.....	212, 519
Hawaiian Ag. Co.....	361, 632
Hilo.....	166, 446
Honokaa.....	230, 254
Hutchinson.....	245, 923
Kohala.....	360, 695
Puna.....	282, 364
Laupahoehoe.....	294, 152
Onomea.....	203, 218
Paauhau.....	141, 281
Pepeekeo.....	174, 619
Hawaiian Com. & Su.....	980, 691
Pioneer.....	413, 127
Wailuku.....	233, 192
Ewa.....	385, 747
Kahuka.....	169, 559
Oahu.....	500, 089
Waialua.....	406, 215
Gay and Robinson.....	136, 279
Grove Farm.....	275, 255
Kekaha.....	342, 187
Kilauea.....	157, 254
Lihue.....	424, 423
McBryde.....	229, 533
Olokele.....	246, 705
Waimea.....	44, 011
Total.....	<u>7, 832, 768</u>
Florida :	
U. S. Sugar.....	775, 121
Okeelanta.....	351, 403
Total.....	<u>1, 126, 524</u>
Puerto Rico :	
Luce & Co., S. en C.....	590, 661
Sucession J. Serralles and Wirshing and Co.....	370, 903
Heirs of Miguel Esetve Blanes.....	137, 312
C. Brewer Puerto Rico, Inc.....	431, 530
Antonia Cabassa Vd. Pajardo.....	111, 489
Miguel A. Garcia-Mendez.....	69, 858
Antonio Roig, Sucrs.....	339, 403
Mario Mercado e Hijos.....	103, 786
Jorge Gonzalez Hernandez.....	58, 750
Heirs of Mario L. Mercado Parra, deceased.....	95, 927
Ernesto Quinones Sambolin.....	63, 267
Heirs of Lucas P. Valdivieso, deceased.....	82, 303
Quintero & Davila, Ltd.....	57, 584
Waldemar Bravo.....	87, 402
Ramon Gonzalez Hernandez.....	108, 311
Total.....	<u>2, 708, 546</u>
Louisiana :	
Southcoast.....	303, 971
Southdown.....	186, 270
Sterling.....	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.....	<u>872, 154</u>
Beet area : Newhall Land & Farming Co.....	51, 122
Virgin Islands : Virgin Islands Corp.....	62, 017

*Domestic sugar producing areas, determination of average Sugar Act payment per farm, 1961 crop*

Area	Number farms	Number of payees	Total Sugar Act payment	Average payment per	
				Farm	Payee
Domestic beets.....	24,319	39,917	\$42,423,503	\$1,745	\$1,063
Mainland cane.....	2,553	5,682	10,860,179	4,254	1,911
Louisiana.....	2,534	5,662	9,106,746	3,594	1,608
Florida.....	19	20	1,753,433	92,286	87,672
Hawaii.....	705	867	9,965,119	14,135	11,494
Puerto Rico (1960-61).....	14,230	14,447	14,938,687	1,050	1,034
Virgin Islands.....	193	193	212,876	1,103	1,103
All areas.....	42,000	61,106	78,400,364	1,867	1,283

Senator GORE. Mr. Secretary, would you have any estimate of the order of magnitude of the subsidy paid, on an average, to the producers?

Mr. MURPHY. Senator, I do not.

Senator GORE. What is the total subsidy paid out per year to producers of sugar? Isn't it \$75 million, in the order of \$75 million?

Mr. MYERS. It is running closer to \$80 million.

Senator GORE. That answers my question.

Mr. Secretary, this \$80 million will still be paid under the bill that Congress passed regardless of how high the price of sugar may go or how much the housewife must pay.

Mr. MURPHY. I think that is true. I think it would be fair to say at the same time, Senator, that probably over the long run that will reduce the price that the housewife has to pay because it has been a part, I think an essential part, of a system which has maintained the domestic industry which now supplies some 60 percent of our total requirements, and, I think, it is quite fortunate that we do have the domestic industry which supplies this much of our requirements.

I also think it might be—

Senator GORE. Do you think it is quite fortunate that this subsidy is paid regardless of how large a profit the producers may make?

Mr. MURPHY. I think it is, if this is part of the system and it is, I think it is fortunate we have this whole system included. I think it is quite possible to magnify the likely effect of the current price increase as far as producer returns are concerned.

So far as the cane sugar producers are concerned, particularly in Louisiana, there is, in my mind, considerable doubt of how much benefit they will get from this. They will market their sugar beginning next fall. By that time, I think, it is quite likely that the price of sugar will be down rather sharply from the present level.

Now, as was indicated earlier in the discussion with Senator Bennett, the current prices will be reflected in determining the average that is used to establish the price received by beet sugar producers. It is my understanding that most beet sugar producers, typical beet sugar producers, are relatively small farmers, and that their income is by almost any reasonable standard not exorbitant.

Senator GORE. What is the largest subsidy you pay to one particular producer?

Mr. MURPHY. Here again I would have to ask Mr. Myers if he has that figure in mind. It happens to be a sugarcane producer in Florida.

Senator GORE. It would be rather large, would it not?

Mr. MURPHY. Yes, relatively large.

Mr. MYERS. Yes, it is. If you will just give me a moment maybe I can estimate it. It runs something over \$1 million, Senator.

Senator GORE. So regardless of how much profit this corporation may make, the people of this country are still going to pay it a subsidy of \$1 million.

Mr. Chairman, by the time we get to this end of the table I see it is a quarter of 1, and I am 25 minutes late to a luncheon engagement. I obviously cannot go into this whole Sugar Act.

One would gather from all the criticisms today that there was a heavy vote against this bill last year. Isn't it a fact that only one other Senator and the junior Senator from Tennessee voted against it?

Now that this sweet deal has turned sour for the housewife, I think we may have more company next year.

A great deal has been said and done here lately about the lobbying activities on the Philippines claims bill. I call attention to a document which is called "Committee Print"—has this been made public, Mr. Chairman, the lobbying fees that were paid with respect to the Sugar Act?

The CHAIRMAN. I beg your pardon?

Senator GORE. Has this committee print called "Compendium of Statements Submitted by Representatives of Domestic and Foreign Sugar Producers," and so forth, been published?

The CHAIRMAN. That was last year, I think, 1962, June 25.

Senator GORE. I notice my good friend Oscar Chapman is listed here for a retainer of \$50,000 a year, representing Mexico sugar interests.

It is quite an interesting document. I see Mr. John A. O'Donnell listed. I would like to read from the resolution printed here. This is apparently a resolution of the sugarcane producers association of the Philippines:

During the period of his employment said John A. O'Donnell, Esq., shall make disbursements from said bank account of the Philippine Sugar Association in Washington, D.C., as he in his discretion may consider appropriate and at such times as he may consider convenient; such expenditures shall include among others but shall not be limited to office rental, bookkeeping, administrative assistance, clerical and stenographic employees—

And so forth.

Said John A. O'Donnell, Esq., shall have authority to direct such amounts as he may consider proper from said bank account of the Philippine Sugar Association in Washington, D.C., to his personal benefit and only such amounts as he may direct to his benefit shall be regarded as compensation or income to him for his services to the association.

All other disbursements made by said John A. O'Donnell, Esq., for the benefit of the Philippine Sugar Association from said bank account shall not be considered personal compensation or income for said John A. O'Donnell and no amount shall be considered as personal compensation or income unless so indicated on the books of account and records of said John A. O'Donnell, Esq.; be it further

*Resolved—*

And so forth.

Mr. Chairman, reading this whole document in light of what has happened in the sugar situation, it might be well for the Senate Finance Committee to follow the example of the Senate Foreign Relations Committee and inquire as to the disbursements, campaign con-

tributions, dinner tickets, et cetera, that have been financed from these lobbying funds.

The CHAIRMAN. Do you make that as a request?

Senator GORE. This is a matter that should be taken up in executive session, I realize that. I do not make it in the form of a motion now, but later on I will wish to call it to your attention.

Senator LONG. I believe the Senator will find that is all being thoroughly explored by the Foreign Relations Committee now. I have sat through some of those sessions, I think the Senator has, and he will find—we can do it, but it is being done.

The CHAIRMAN. I can see no objection to doing it.

Senator ANDERSON. The Senator from Virginia must feel about it like I do. I would like to know more about it.

Senator GORE. I would think, Mr. Chairman, when this act comes up again that the American people are going to be far more interested than heretofore in these special interest arrangements. As is the case with so many other such arrangements, the public interest has been mute, and the special interests have been very articulate.

I do hope that this whole sugar program will be thoroughly examined and thoroughly changed, basically changed.

I will not ask further questions. It is 1 o'clock, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you very much.

Senator Curtis?

Senator CURTIS. Mr. Chairman, as I understand it, we are going to reconvene, and if it might be noted that most of those who have not asked any questions will be recognized when we do reconvene, I would certainly abide by the chairman's decision to adjourn.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Are you about to adjourn, Mr. Chairman?

The CHAIRMAN. What day next week, Mr. Secretary, will suit you to come? Some members who are not present today have sent word to the chairman that they have questions.

Mr. MURPHY. I think, Mr. Chairman, I could come any day except Wednesday, and I could not come on Wednesday. I think any other day I could come.

The CHAIRMAN. What is the pleasure of the committee?

Senator CURTIS. I might say I have some questions. I will be glad to proceed now. It will take a little while. I am not too happy about certain parts of the record developed so far.

The CHAIRMAN. If we have another meeting perhaps it would be better to wait.

Senator CURTIS. Very well. I will yield the floor if we are about to adjourn.

The CHAIRMAN. Will Tuesday or Thursday be acceptable?

Senator RIBICOFF. I have other hearings on Tuesday that I have called. I would like to ask a few questions myself. Thursday would be more convenient with me, but I would defer to the chairman.

The CHAIRMAN. Thursday. Is there any objection to Thursday?

Senator WILLIAMS. I think Thursday would be fine. That would give you a chance to get the answers to the questions.

The CHAIRMAN. We will recess until next Thursday at 10 o'clock.

(Whereupon, at 1 p.m., the committee was recessed, to reconvene at 10 a.m., Thursday, June 6, 1963.)

## SUGAR PRICES

---

THURSDAY, JUNE 6, 1963

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 Harry F. Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Douglas, McCarthy, Hartke, Fulbright, Ribicoff, Williams, Carlson, Bennett, and Curtis.

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

The CHAIRMAN. The committee is very glad to have Secretary Murphy and Mr. Myers and Mr. Bagwell with us again.

The purpose of this meeting is to give an opportunity to Senators who had not had time to ask questions at the last meeting.

I simply want to ask one question. Has the price of sugar gone down since the last meeting of the committee?

### STATEMENT OF CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN C. BAGWELL, GENERAL COUNSEL; AND LAWRENCE MYERS, DIRECTOR, SUGAR POLICY STAFF—Resumed

Mr. MURPHY. Yes, sir; it has.

The CHAIRMAN. How much?

Mr. MURPHY. It has gone down, the spot price of sugar has gone down yesterday to 8.5 cents a pound. This is the spot price for raw sugar.

The CHAIRMAN. Repeat that. Gone down to what?

Mr. MURPHY. 8.5 cents a pound.

The CHAIRMAN. 8.5. How much decline is that?

Mr. MURPHY. The peak was 13.2 cents, as I recall. Now, it had gone down some before the last meeting of the committee, but it has gone down much more since then.

The CHAIRMAN. It has gone down to 8.5 cents, did you say?

Mr. MURPHY. It has gone down to 8.5 cents a pound. The futures price has gone down the limit every day, I think, half a cent a pound, until yesterday. Now, yesterday, some of the futures prices went down the limit. The more distant futures went down and then went back up and closed, I believe, at the same figures at which they opened. This is for distant months in 1964.

The CHAIRMAN. You anticipate a further decline?

Mr. MURPHY. Personally, I do, Senator.

The CHAIRMAN. How does this compare to the normal price of sugar?

Mr. MURPHY. Well, the comparable normal price, spot price, of raw sugar is between 6 and 7 cents a pound. Actually, we have a target figure of 6.6 cents is what we aim at. To the extent that the administration of the Sugar Act affects the price of sugar, we aim at 6.6 cents a pound.

And that has been the normal range for some time past, which has been between 6 and 7 cents.

The CHAIRMAN. Has the Department come across any cases of profiteering?

Mr. MURPHY. We have not come across any specific cases that we could call profiteering. There has certainly been a great deal of activity in the futures markets, and this has been accompanied by a great deal of speculative trading, as well as normal hedging in futures.

We have had a letter of one case, quite a pitiful case, of a man who says he was led into speculating into the futures market on sugar and lost what was to him a substantial amount of money. That is the only specific case that we have information about.

The CHAIRMAN. The Chair desires to put in the record the futures prices on different commodities including sugar.

(The insert referred to follows:)



The CHAIRMAN. Senator Fulbright, do you have any questions?

Senator FULBRIGHT. Mr. Secretary, do the basic country quotas give the country involved the absolute right under the law to export to the United States a certain quantity of sugar during the year?

Mr. MURPHY. I would answer that "Yes."

Senator FULBRIGHT. Regardless of the conditions?

Mr. MURPHY. They have to find a purchaser in the United States, but, so far as the governmental administration of the program is concerned, they have the right.

Senator FULBRIGHT. They have the right.

Is there a method of establishing the price of this sugar, of the basic country quota?

Mr. MURPHY. We do not establish the price. The method of establishing the price is by agreement between the seller in the foreign country and the purchaser in this country.

Senator FULBRIGHT. Is it a fact that the price is the U.S. price, plus the quota premium, if the U.S. price, as it usually has been, is in excess of the world price?

Mr. MURPHY. I would say that the price usually would be the U.S. price, and—

Senator FULBRIGHT. Plus the quota premium?

Mr. MURPHY. No, the premium would be added to the world price. The price is the world price plus the premium, which, added together, make the U.S. price.

Senator FULBRIGHT. Does this result in the countries having quotas present to deliver this quota whenever they choose during the year, at whatever the market will bring, is that correct?

Mr. MURPHY. That, generally speaking, is the case; yes, sir.

Senator FULBRIGHT. Is there any exception? That is the case—

Mr. MURPHY. Well, legally, that is the case. Now, there are some persuasive reasons for them to be reasonable about this and do as well as they can to bring the sugar in on time. It is not a very strong bulwark for us to lean on. But, legally, they do have the right to hold it back and bring it in any time before the end of December.

Senator FULBRIGHT. I am coming to that point. That is what they are doing, is it not?

Mr. MURPHY. The Secretary of Agriculture, under the law, can, and has the responsibility to, declare deficits when he is satisfied that the sugar will not be brought in from the foreign country. This is sometimes very troublesome, a very troublesome problem. Because the Secretary of Agriculture does not want to, and should not, declare a deficit until he has a sound basis for doing it, and sometimes it is very difficult getting at the facts.

Senator FULBRIGHT. What I do not understand is what price protection this kind of a system affords the American consumer.

Mr. MURPHY. Not very much, Senator.

Senator FULBRIGHT. That is just the point, is it not? It looks as if it is "heads they win and tails we lose" as far as prices are concerned, because they do not have to deliver it, although they have a right to deliver it, is that correct?

Mr. MURPHY. It seems to me it is largely a one-way street; not completely so, but very largely.

Senator FULBRIGHT. Well, very largely.



Table II of your prepared statement indicates the quotas for foreign countries and offerings under them, and under the global quota as of May 23, as of that date, what percentage of the global quota had been assigned for importation?

Mr. MURPHY. Virtually all of it.

Senator FULBRIGHT. One hundred percent, was it not—

Mr. MURPHY. Global quota.

Senator FULBRIGHT (continuing). Of which there was great criticism in the Senate last year, is that not correct?

Mr. MURPHY. That is correct.

Senator FULBRIGHT. But what percentage of the country quotas had been assigned for importation?

Mr. MURPHY. Approximately 40 percent, Mr. Myers says.

Senator FULBRIGHT. Your table shows 38.9 percent, less than 40 percent, which shows the country-quota countries are holding back for a higher price, does it not?

Mr. MURPHY. No, sir.

Senator FULBRIGHT. What does it show?

Mr. MURPHY. We do not think they were actually holding back for a higher price to any very significant extent. I think it does show that the global quota made it possible for us to go and get sugar in other places.

Senator FULBRIGHT. Yes.

Mr. MURPHY. And there is just a possibility that quota countries may have been holding back.

Since it did suggest that possibility, we have been looking into it to the extent we could the last week or two, and we do not find really substantial evidence that they were holding back. At least, we have not found out so far.

Senator FULBRIGHT. Well, whether you have found it to be their motive, the fact is they have not been assigned, and they have held it back. They have not delivered it, have they, as of that day?

Mr. MURPHY. They have not delivered it.

Senator FULBRIGHT. Of course, the obvious point is, I supported, along with the Senator, I think, from Illinois, and others, the global-quota view, and against these country quotas. Now, the experience under this act shows the global quota helped you more than the country quota as of now, is that not true?

Mr. MURPHY. This is our judgment, Senator. We believe—

Senator FULBRIGHT. The facts show that, do they not?

Mr. MURPHY. We think, we believe, and I said yesterday, I testified before another committee on yesterday, that the global quota has been our salvation in this particular situation. If we had not had the global quota, in our judgment, we would have, before this, had to suspend quotas altogether.

Senator DOUGLAS. Will the Senator yield?

Senator FULBRIGHT. I yield.

Senator DOUGLAS. I hope that those words of the Under Secretary of Agriculture may be engraved in burning letters.

Senator FULBRIGHT. I agree.

Because there have been statements even since this matter arose saying that the price increase was because of the bill which gave global quotas. Such statements have been made on the floor, have they not?

Mr. MURPHY. Yes, sir; and they have been made in this committee and in other places.

Senator FULBRIGHT. Well, I was not able to be here the other day.

I had another committee meeting. But I do not understand how anyone can make such a statement.

Mr. MURPHY. Well, this apparently is the judgment and interpretation that some people put on it.

Senator FULBRIGHT. You do not put it on?

Mr. MURPHY. We do not.

Senator FULBRIGHT. What actions did you take to obtain commitment of country-quota sugar and its early delivery?

Mr. MURPHY. We sent cables to all of the countries that have quotas, asking what their plans and intentions were to fill their quotas.

Senator FULBRIGHT. What was the response?

Mr. MURPHY. The response, rather uniformly, indicated they did expect to fill their quotas almost completely. I think, I am not sure that they are all in—Mr. Myers, I think, might add something on this—but they virtually are all in.

Mr. MYERS. Senator, they are virtually all in. Presumably Paraguay will not fill its quota of 10,000 tons; there is some uncertainty about British Honduras. But, substantially, they have all assured us that they will fill their country quotas.

Senator FULBRIGHT. Mr. Secretary, do you see any irony in the fact that these foreign agents who swarmed over this committee and the Congress last year, lobbying, pleading for quotas, then, when they got them, the price went up, you had to plead for them to deliver it, did you not?

Mr. MURPHY. We—

Senator FULBRIGHT. Is that not a fact?

Mr. MURPHY. We had to ask them to declare their intentions forthrightly.

Senator FULBRIGHT. Right away. They did not rush in to fill their quota?

Mr. MURPHY. In addition to the actual physical delivery of the quota, Senator, was the expectations that people have as to what is going to happen during the remainder of this year, and this is what we needed to get firmed up, and did get firmed up.

Once these commitments were made so that the people could know and we could say with assurance we were going to have ample supplies of sugar this year, why, the situation improved very dramatically.

Senator FULBRIGHT. I have no doubt your statement as to the supply situation had a very substantial effect on the market in the last few days, as the chairman pointed out, since the last meeting.

Do you not think that is true?

Mr. MURPHY. I do. I think, to the extent that people understand what the situation really is, it is very helpful, indeed, because the situation really is that we have an ample supply of sugar.

Senator FULBRIGHT. Returning to table II, I note that Brazil had a basic country quota of almost 196,000 tons, and, of that amount, none has been charged to the basic quota, country quota, although 281,000 tons have been charged to Brazil under the global quota.

Is this an example of a country holding back its basic quota for higher prices? Why, otherwise, was it charged in that fashion?

Mr. MURPHY. I think that the price they would get would probably be the same in either case, whether it came in under the global quota or the country quota.

Senator FULBRIGHT. As of any given moment?

Mr. MURPHY. I think we should give Brazil a plus for being willing, sometime ago, to commit sugar under the global quota. Now, the reason, I assume, they were willing to do that was because they had the assurance they would be able to bring in additional sugar under the country quota.

Senator FULBRIGHT. Yes.

Mr. MURPHY. So when the opportunity was first opened up last December to bring in sugar under the global quota, they said, "We have got some sugar; we would like to get it into the United States. We can get this in under the global quota and know we can get this in under the country quota later."

As I understand it, Brazil agreed to earmark the proceeds of the sugar they first sent in under the global quota for purchase of U.S. commodities, and, here, again, I would give them credit.

Senator FULBRIGHT. You misunderstood the purpose of the question, which was not to criticize Brazil, but to criticize the country-quota system.

It is not intended to criticize Brazil, but to show the futility of the country-quota system, because here you have them holding back on their country quota, because this gives them this heads-I-win-tails-you-lose system. They can exhaust all of the global quota they can get at a higher price, and then, near the end of the year, they can call upon us to take the country quota, and, if the price is unsatisfactory, they have been able to sell it elsewhere, they do not have to deliver it, do they?

Mr. MURPHY. They do not have to deliver it.

Senator FULBRIGHT. That is what I mean. It seems it works only one way is all I mean.

Mr. MURPHY. There is some incentive for them to deliver the country quota sugar, even though, legally, they are not required to do it.

Senator FULBRIGHT. It is not a great incentive, is it?

Mr. MURPHY. Well, they would get the same price here.

Senator FULBRIGHT. As of a given time?

Mr. MURPHY. If they had an opportunity to get a substantially higher price for the sugar in some other place.

Senator FULBRIGHT. As of a given time, of course, that is true, I want to make that clear. But, in a sense, they hold an option. It is like holding an option on a stock. If it goes up, why, your exercise it; if it goes down, you do not. Is that not about what it is?

Mr. MURPHY. That is true.

Senator FULBRIGHT. And they get all the benefit of it, and I do not see how the American consumers or the American Government can benefit under any such system. I do not think you do either, do you?

Mr. MURPHY. I would still have to put a reservation on this.

Senator FULBRIGHT. On the country quota?

Mr. MURPHY. As I said earlier, it is largely a one-way street, but there are incentives for filling these country quotas. It happens in

the present situation that we believe they are helpful, because this is at least part of the reason why the countries were willing to commit the sugar to fill country quotas during this year.

Senator FULBRIGHT. You think during this past 6-month period when we have had this rise, if there had been no country quotas, all purchases were on a global basis, that we would had as large, as drastic, a rise as we did have?

Mr. MURPHY. This, again, is quite a speculative kind of question.

Senator FULBRIGHT. I know it is. It is hypothetical.

Mr. MURPHY. In my opinion, we would not have had such a large rise. I believe a large part of the rise was attributable to the uncertainty whether the sugar would come in from foreign countries.

Senator FULBRIGHT. Yes.

Mr. MURPHY. Since we got relatively early assurances as to the global quota, this means the uncertainty revolved around the country-quota sugar.

If we had been able to operate the whole thing on a global-quota basis, we might very well have gotten those assurances of adequate supplies at an earlier time, removed the uncertainty at an earlier time.

Senator FULBRIGHT. Removed their option. They would not have an option, and they would have to take it then or take the risk of a much lower price or an inability, even, to dispose of it, would they not?

Mr. MURPHY. Yes.

Senator FULBRIGHT. Yes.

Mr. MURPHY. Actually, the physical volume of sugar coming in has been adequate, has been normal. The problem has been accentuated by the fears that people had and by the stockpiling that took place in this country.

Senator FULBRIGHT. As you already pointed out, adequate largely due to your ability under the global quota to get 1.5 million tons?

Mr. MURPHY. That was extremely helpful in the early months of this year.

Senator FULBRIGHT. Which has been filled.

Most of those countries having basic quotas are represented by foreign agent lobbyists, is that not correct, all of them?

Mr. MURPHY. That is my general impression, Senator. I know a good many of them personally. I have never made an orderly, country-by-country survey.

Senator CURTIS. Would you yield just for a brief point of clarification?

Senator FULBRIGHT. Yes.

Senator CURTIS. Not about the lobbyists. But did not the prior law have a global quota that you could turn to for deficits?

Mr. MURPHY. I would like to ask Mr. Myers to respond to that. My impression is that the deficits, in turn, had to be allocated to specific countries and added to specific country quotas, but Mr. Myers—

Mr. MYERS. The Secretary is right, Senator Curtis. Under the previous law, if we declared a deficit against the domestic area, that was divided among the other domestic areas and Cuba. Then, after Cuba fell out, it was divided first among domestic areas and then among foreign areas on a pro rata basis to their country quotas.

Senator CURTIS. If you could not get it there, you could go global?

Mr. MYERS. Not with the same freedom that we have with this global quota, no. It was done pro rata, on a pro rata basis, so that the

only way that we could pick up available sugar from miscellaneous sources was either to lift the total to very high heights or else remove the quotas entirely.

Senator CURTIS. Thank you, Senator.

Senator FULBRIGHT. With regard to these foreign agents, do you know what role the foreign agents have played in advising their principals, after the country quota was obtained, when to market their quotas?

Mr. MURPHY. I do not.

Senator FULBRIGHT. You have no information.

Has the information required to be divulged under the Foreign Agents Registration Act, has it been helpful to you in administering the Sugar Act?

Mr. MURPHY. I personally have not had occasion to utilize this information. I would like to ask, again, if Mr. Myers has.

Senator FULBRIGHT. Do you know of any?

Mr. MYERS. No, Senator Fulbright, we have never turned to the files on foreign agents. I do remember the testimony here, some that you and Senator Douglas particularly brought out, that some of them advised particularly on marketing problems, but, by and large, they have not concerned us.

They have at times, or at times, rather, we have used them as a source of information or transmission of information, but that is all.

Senator FULBRIGHT. Do you think the Foreign Agents Registration Act could be useful to you in administering the act, and I will admit that it has not been very fully complied with, and many of the reports are not very revealing, but, assuming they did reveal the contracts which were made, would it be useful to you if we continue this system of quotas?

Mr. MYERS. Frankly, Senator, it is a subject I have given no attention to. I have felt that the matter probably concerned Congress even more than it did us in the administration. I will say that these pressures that hit you, I think, do not hit us in the same way.

Senator FULBRIGHT. Then do I understand that these foreign agents representing the foreign countries do not contact you and do not come down and plead their case with you?

Mr. MYERS. They contact us at times. They are a source of information to us, but, to be perfectly frank with you, we just did not spend a lot of time listening to them.

Senator FULBRIGHT. Is that because the decision is actually made in the Congress? You do not make the decision as to what the country quota is; is that correct?

Mr. MYERS. That is part of the reason, and the other part of the reason is that the administration prepared its recommendations and those recommendations were not subject to revision by little people like me.

Senator FULBRIGHT. Have you ever been asked by a foreign government to recommend a Washington representative for this purpose?

Mr. MYERS. No, sir.

Senator FULBRIGHT. Never been asked that.

When and if they do come to see you, do they identify themselves as representatives of a foreign government, or do they come in to give you views?

Mr. MYERS. I think we know in all cases who they are, to begin with, and I have never had one who has tried to deny.

Senator FULBRIGHT. You already know that.

Since the amendment of the Sugar Act to provide for the collection of the quota premium by the Treasury; how much money has been brought in to the Treasury?

Mr. MURPHY. I have that figure here, Senator, if I can find it. It is in the neighborhood of \$40 million.

Senator FULBRIGHT. \$40 million?

Mr. MURPHY. Yes. I think I will be able to tell you exactly in just a second; 1962 collections amounted to \$34 million plus, and in 1963, to something over \$3 million. The total is \$37,294,000.

Senator FULBRIGHT. It is not an inconsiderable sum?

Mr. MURPHY. It is not an inconsiderable sum, and, of course, would be a great deal more, except for the shortage in world supplies and the rise in the world price.

Senator FULBRIGHT. Yes.

Are the sugar consumers under the Sugar Act, and its administration, prevented from carrying inventories which they might otherwise like to carry?

Mr. MURPHY. They are not.

Senator FULBRIGHT. They are not.

What are the total direct subsidy payments to sugar producers under the act, the total, direct subsidy payments, aside from the price, now? It may influence the price.

Mr. MURPHY. They are about—

Senator FULBRIGHT. If you do not have a table for the last—if you do not have it, put it in the record, please.

Mr. MURPHY. For the 1961 crop, it is \$78 million.

Senator FULBRIGHT. \$78 million?

Mr. MURPHY. For the 1961 crop.

Senator FULBRIGHT. Will these producers receive this subsidy regardless of the amount they have received in the sale of their sugar?

Mr. MURPHY. They will.

Senator FULBRIGHT. In other words, they will receive \$78 million, even though they receive 10 or 15 cents a pound for the sugar; is that right?

Mr. MURPHY. Well, they would, if they received 10 to 15 cents a pound for sugar.

Senator FULBRIGHT. I say they would. In other words, they receive this subsidy regardless of what the price is, is that not so?

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

Senator FULBRIGHT. Is there any other agricultural program under which producers receive a subsidy when their price exceeds the support level?

Mr. MURPHY. Yes.

Senator FULBRIGHT. What is an example?

Mr. MURPHY. If you call them subsidies, they receive payments under the feed grain program.

Senator FULBRIGHT. When the price they receive is above parity or whatever the percentage of parity is?

Mr. MURPHY. If the price should rise above support or above parity, they would receive the payments. For instance, in the case of corn, they would get 18 cents a bushel, no matter what the price might be

in the marketplace. The probability of the price of corn rising above the support price is much less; in fact, it is quite certain not to happen.

Senator FULBRIGHT. Has it ever happened?

Mr. MURPHY. Theoretically, the proposition is the same.

Senator FULBRIGHT. Has it ever happened?

Mr. MURPHY. Certainly not since we have had this program.

Senator FULBRIGHT. Has it ever happened in any other commodity that a subsidy, a direct subsidy, was paid to any agricultural commodity when that price was above the support price?

Mr. MURPHY. That question I cannot answer without study.

Senator FULBRIGHT. Will you supply the answer for the record?

Mr. MURPHY. I will.

(The information to be supplied follows:)

There have been no programs on other commodities where a direct subsidy was paid to all producers of a commodity when the market price for that commodity was above the support level. There may be individual instances where a producer of wool may have received a market price for his individual lot of wool in excess of the incentive level of 62 cents per pound and still have received a direct payment. The direct payment in this instance would have been based on the difference between the national yearly average market price received by all producers and the incentive level.

Senator FULBRIGHT. Just for my information, will you venture a guess now which we will not hold you to—you do not know of any; do you? We will put it that way, and it is subject to your correction of the record.

Mr. MURPHY. I would wish to examine the wool program, with which I am not very familiar.

Senator FULBRIGHT. Well, the support price there is very high. That is a very special case.

Mr. MURPHY. The wool program is very special.

Senator FULBRIGHT. It is handled quite differently, but even there they are guaranteed more than parity, are they not?

Mr. MURPHY. My recollection—

Senator FULBRIGHT. But that is under the law.

Mr. MURPHY. And I do not know that they are guaranteed more than parity.

Senator WILLIAMS. Would you yield at that point?

Mr. MURPHY. I had better not talk about the wool program.

Senator FULBRIGHT. I did not want to get into that. But the point I want to make, this is a rather unique program that, regardless of how high a price they get, they still get the direct subsidy.

Mr. MURPHY. I do not think this is true. Theoretically, you get the same result under the feed grain program, for example, or the wheat program.

Now, to find the difference, it seems to me you need an assumption that the price of sugar, the returns to producers in the price of sugar, are going to be quite high. That is by no means clear at this point. For example, I think it is likely that the sugarcane producers in Louisiana will get very little more income as a result of the price of sugar for this year's crop than for last year's crop.

Senator FULBRIGHT. Why not?

Mr. MURPHY. Because they market their cane in the period, beginning in the late fall, perhaps in November, and ending in about February, and the return that the producers get depends on the market price of sugar during that time.

This rise in the price of sugar so far occurred pretty well after the end of their marketing season.

The price is now going back down very sharply, and I think, quite likely, when they start marketing, the sugar again will be back down in the normal range.

Senator FULBRIGHT. What you are saying is that the producer, as usual, does not get the benefit of the price rise; only the speculator?

Mr. MURPHY. To a considerable extent, this looks like it might be true in this situation.

Now, the beet producers might be somewhat more fortunate because their returns depend in a good many cases on the average price throughout the year, and the higher price, even for 1 or 2 months, will raise the average price some. But it is by no means certain in my mind that there is going to be any spectacular increase in producer returns for any producers.

The CHAIRMAN. What is the total of subsidies for foreign payments and the payments in this country on sugar?

Senator FULBRIGHT. For 1 year, \$78 million?

Mr. MYERS. The payments in 1961 were \$78 million to domestic growers. Those are Sugar Act payments. We do not make Sugar Act payments, as such, to foreign producers.

Senator FULBRIGHT. He is distinguishing between the premium that you pay to a quota country and the direct subsidy; is that correct?

Mr. MYERS. That is correct. The quota premium varies with the relation between the world price and the domestic price, and I will say for 3 recent years, 1959 through 1961, as I recall, they were running right at \$200 million a year.

Senator FULBRIGHT. \$200 million?

Mr. MYERS. \$200 million a year, the quota premiums on all imported sugar.

Senator FULBRIGHT. Above the world price?

Mr. MYERS. Above the world price.

Senator FULBRIGHT. That is higher than I thought it was.

Senator DOUGLAS. It has been that year after year after year.

Senator FULBRIGHT. I thought it was a hundred. It is 200.

While we are on this subject, have you calculated—I expect you have—the costs, both the direct subsidy payment, which is the \$78 million a year, plus the premium which we pay, since this Sugar Act has been in effect? Do you have such figures available?

Mr. MYERS. We do not have available, we do not have before us, those computations. We do have available, and it will be just a matter of supplying a table for the record, the Sugar Act payments from the beginning of the program down through the current time, the most recent year. We have to submit that every year when we go before the Appropriations Committee.

Senator FULBRIGHT. Mr. Chairman, I would ask unanimous consent that they submit such a table for the information of the committee. I would like to see how much this act has cost the American consumer.

Senator DOUGLAS. Would the Senator yield?

Senator FULBRIGHT. From the beginning, and, also, if you could have the recent few years.

Yes, I would yield.

Senator DOUGLAS. If I may suggest, I would say this table should include not only the cash subsidies paid to the American sugar growers,



both beet and cane, but also the excess of domestic price over world price, and the amounts of the indirect subsidy which were, therefore, given to foreign sugar producers above the world price.

Senator FULBRIGHT. Yes, I meant to include that. That is the item he just said was \$200 million for 1 year.

Senator DOUGLAS. That is right.

Senator FULBRIGHT. Those will be broken down into two different tables.

Senator DOUGLAS. I would like to make the estimate these figures will run into the billions upon billions of dollars.

Mr. MURPHY. We will be happy to supply that information.

(The information referred to follows:)

*Total Sugar Act payments to producers of sugar crops, 1937 to date*<sup>1</sup>

Crop year:	Total	Crop year—Continued	Total
1937-----	\$36, 169, 363	1951-----	\$60, 536, 554
1938-----	45, 850, 639	1952-----	59, 217, 440
1939-----	46, 413, 730	1953-----	65, 606, 684
1940-----	45, 568, 566	1954-----	67, 556, 093
1941-----	43, 379, 554	1955-----	63, 334, 535
1942-----	58, 022, 793	1956-----	63, 648, 611
1943-----	45, 516, 249	1957-----	67, 375, 190
1944-----	46, 591, 607	1958-----	66, 042, 677
1945-----	51, 144, 034	1959-----	70, 464, 038
1946-----	55, 973, 092	1960-----	71, 299, 211
1947-----	62, 165, 370	1961-----	77, 451, 597
1948-----	55, 770, 123		
1949-----	59, 704, 203	Total-----	1, 451, 532, 246
1950-----	67, 329, 393		

<sup>1</sup> Includes abandonment and deficiency payments.

Mr. MURPHY. I think it would be appropriate the same time that we indicated the amount of revenue derived from the processing tax.

(The information referred to follows:)

*Sugar Act tax collections, 1938 to date*

Fiscal year	Sugar tax collections <sup>1</sup>			Fiscal year	Sugar tax collections <sup>1</sup>		
	Excise tax <sup>2</sup>	Import tax <sup>3</sup>	Total		Excise tax <sup>2</sup>	Import tax <sup>3</sup>	Total
1938-----	\$30, 569, 130	\$2, 680, 298	\$33, 249, 428	1952-----	\$78, 473, 191	\$3, 621, 210	\$82, 094, 401
1939-----	65, 414, 058	3, 494, 627	68, 908, 685	1953-----	78, 129, 860	5, 005, 059	83, 135, 819
1940-----	68, 145, 358	5, 456, 207	73, 601, 565	1954-----	73, 885, 000	4, 498, 368	78, 383, 368
1941-----	74, 834, 839	4, 859, 760	79, 694, 599	1955-----	78, 512, 000	4, 177, 097	82, 689, 097
1942-----	68, 229, 803	4, 088, 933	72, 318, 760	1956-----	82, 894, 000	4, 806, 321	87, 700, 321
1943-----	53, 551, 777	3, 620, 064	57, 071, 841	1957-----	86, 091, 000	4, 305, 501	90, 396, 501
1944-----	68, 788, 910	5, 097, 940	73, 886, 850	1958-----	85, 911, 000	4, 057, 798	90, 868, 798
1945-----	73, 293, 966	3, 622, 414	76, 816, 380	1959-----	86, 378, 000	5, 683, 187	92, 061, 187
1946-----	56, 731, 986	3, 231, 692	59, 963, 578	1960-----	89, 856, 000	5, 099, 473	94, 955, 473
1947-----	59, 151, 922	5, 115, 447	64, 267, 369	1961-----	91, 818, 000	2, 800, 000	94, 618, 000
1948-----	71, 246, 834	3, 284, 502	74, 531, 336	1962-----	95, 158, 000	1, 380, 350	96, 538, 350
1949-----	76, 174, 356	4, 698, 867	80, 873, 223				
1950-----	71, 188, 029	4, 091, 155	75, 279, 184				
1951-----	80, 191, 884	3, 613, 479	83, 805, 393	Grand total-----			1, 947, 432, 482

<sup>1</sup> Imposed at a rate of 0.465 cent per pound on sugar testing 92 sugar degrees and for each additional sugar degree 0.00875 cent per pound additional (equivalent to 0.50 and 0.535 cent per pound on sugar testing 96 and 100 sugar degrees, respectively). On sugar testing less than 92 sugar degrees the rate is 0.5144 cent per pound of the total sugar content.

<sup>2</sup> Collected by the Internal Revenue Service on all sugar processed or refined in the United States.

<sup>3</sup> Collected by the Collector of Customs on direct-consumption sugar imported into the United States.

<sup>4</sup> Estimate.

Senator FULBRIGHT. I do, too. You do that, too.

Mr. MURPHY. I think we should be permitted to add some editorial comment as to what we think has been the overall effect of the Sugar Act so far as providing sugar, adequate supplies at reasonable prices, over the years.

The CHAIRMAN. Mr. Secretary, in view of this later request to supply the information that the committee desires, I assume it would be confusing to insert in the record these figures which you have given here today.

Mr. MURPHY. We will be glad—I think they will not be confusing, Senator. I have a table which I will be glad to supply which shows the total—

The CHAIRMAN. Duplication in the figures will be eliminated. The heading is "Sugar Act Payments for Large Producers."

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Then you have the domestic sugar producing areas, the determination of the average Sugar Act payment for a period and so forth.

Mr. MURPHY. These tables were prepared in response to a question Senator Ribicoff, I believe, addressed to us in a letter since the last meeting of the committee.

We have, in addition to the tables to which you referred, another table which gives the total amount of these payments broken down by different areas, including small producers as well as large.

The CHAIRMAN. That is not included in this statement?

Mr. MURPHY. It is, I am told, the last sheet.

The CHAIRMAN. What the Chair would like to see is a complete statement of the costs of the sugar program.

Senator FULBRIGHT. That is what I was trying to get from him, I will say to the chairman.

Mr. MURPHY. These are the payments to domestic producers, the producer payments. Now, the \$200 million that was referred to represents the difference between the world price and the domestic price for imported sugar in a typical year, and in 1959, 1960, and 1961, as I recall, this, each year, aggregated about \$200 million, and we can, and will be glad to, supply that information.

The CHAIRMAN. Your table will include all the costs of the sugar program?

Mr. MURPHY. As nearly as we can discover and define it, we will be glad to do it.

The CHAIRMAN. The cost to the American taxpayer is what the committee wants, and this is only part of it.

(The information follows:)

*Costs to domestic taxpayers of direct payments to producers of sugar crops and estimated cost to consumers of premium price paid for imported sugar*

[Millions of dollars]

Year	Direct Government payments to domestic producers of sugar crops	Excess of domestic price over world price on sugar imports <sup>1</sup>	Year	Direct Government payments to domestic producers of sugar crops	Excess of domestic price over world price on sugar imports <sup>1</sup>
1937.....	36.2	96.1	1950.....	67.3	12.9
1938.....	45.8	70.1	1951.....	60.5	(37.0)
1939.....	46.4	37.2	1952.....	59.2	100.3
1940.....	45.6	48.1	1953.....	65.6	162.7
1941.....	43.4	58.8	1954.....	67.6	157.8
1942.....	58.0	(8.0)	1955.....	63.3	148.7
1943.....	45.5	(14.0)	1956.....	63.6	145.0
1944.....	46.6	(7.8)	1957.....	67.8	20.1
1945.....	51.1	(28.7)	1958.....	66.0	188.0
1946.....	56.0	(38.3)	1959.....	70.5	221.1
1947.....	62.2	(4.9)	1960.....	71.3	214.3
1948.....	65.8	28.9	1961.....	77.5	204.6
1949.....	59.7	62.5	1962.....	83.5	212.4

<sup>1</sup> New York price less applicable duty and freight to New York minus world market price times the quantity of sugar imported.

NOTE.—Parentheses denote negative amounts.

Senator CARLSON. Will the Senator yield?

Senator FULBRIGHT. I have one question and I will stop.

Senator BENNETT. Before we get these tables finished, I would like to get another statement in from the Department.

Senator FULBRIGHT. Yes.

Senator BENNETT. I hope the Department will furnish us with a table showing the percentage that the sugar sold at the world price bears to the total world consumption. There is nothing more phoney in the sugar problem than the concept that the so-called world price is the price at which sugar is dealt with in all the world.

This, except in times like this, is a distressed market. This is the sugar that has no home, and, therefore, is offered below cost, usually, in order to try to move it. So if it is possible, I would like the Department to tell us the relationship between the sugar that is actually dealt with at the world price and the total world production of sugar so that we can see that if we were out buying at the world price, even in these years when the world price is supposed to be lower than the domestic price, the world price would automatically have changed, because the American draft on the so-called world supply of sugar would have undoubtedly increased it.

So I think this figure would be very interesting to try to set at rest finally the idea that what we used to say is the world price, was the price at which other countries in the world bought their main supplies of sugar.

Mr. MURPHY. We will be glad to try to ascertain that figure and supply it for the record, Senator Bennett. I think it might be useful if at the same time we could supply some information about the price of sugar over the years and how it has risen or not risen in comparison with other consumer prices.

(The information referred to follows:)

The world trade in sugar amounts to about 20 million metric tons per year. About 65 percent of that trade moves under long-term agreements or other preferential arrangements of some sort. Included in this estimate are the

quantities of sugar obtained by the United States under basic country quotas and by the United Kingdom at negotiated prices from members of the Commonwealth Sugar Agreement. Approximately two-thirds of the imports of the United States and the United Kingdom fall into this category. Also included are the quantities of Cuban sugar exported to the U.S.S.R. and other bloc countries under barter arrangements.

The remaining international trade in sugar which does not move under long-term agreements or other preferential arrangements approximates 7 million metric tons per year.

(The information follows:)

REFINED SUGAR PRICES, AND INDEX OF ALL FOOD PRICES, AT WHOLESALE IN THE UNITED STATES ANNUALLY, 1860 TO DATE

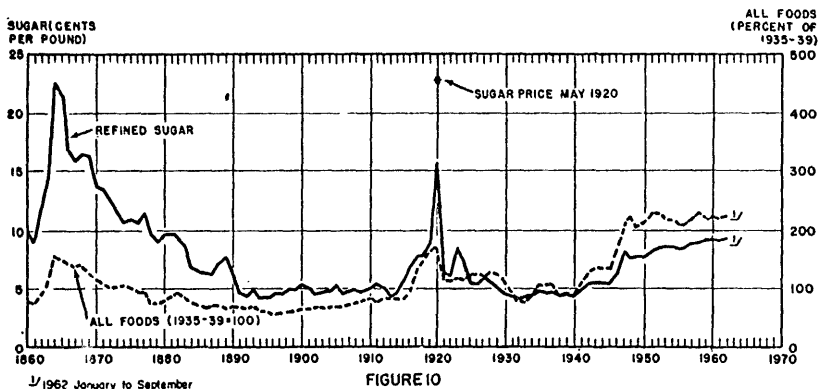


FIGURE 10

PRICE OF SUGAR IN RELATION TO PRICES OF ALL FOODS AND PER CAPITA DISTRIBUTION OF SUGAR 1860 TO DATE

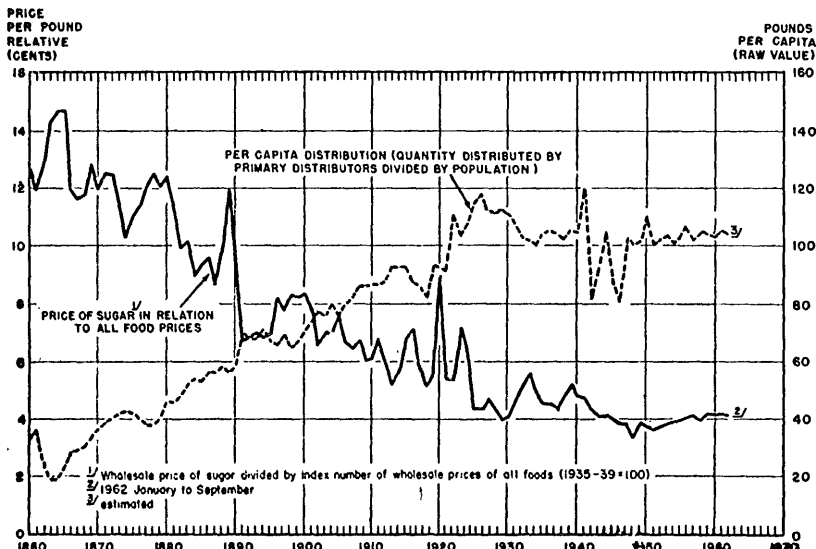


FIGURE 11

*Prices of sugar, of all foods, and of all items*

Period	Raw sugar, duty paid New York  (1)	Refined sugar		Refined sugar		All foods		All items, retail U.S. average  (8)
		Wholesale, North- east  (2)	Retail U.S. average  (3)	Wholesale, North- east  (4)	Retail U.S. average  (5)	Wholesale, U.S. average  (6)	Retail, U.S. average  (7)	
Prices (cents per pound)		Price Index (1947-49=100)						
Calendar year:								
1947.....	6.21	8.29	9.73	104	102	98	96	96
1948.....	5.54	7.76	9.37	97	98	106	104	103
1949.....	5.81	7.97	9.53	100	100	96	100	102
1950.....	5.93	8.00	9.75	100	102	98	101	103
1951.....	6.00	8.38	10.12	105	106	110	113	111
1952.....	6.26	8.62	10.30	108	108	109	115	114
1953.....	6.29	8.72	10.56	109	111	104	113	114
1954.....	6.09	8.72	10.51	109	110	104	113	115
1955.....	5.95	8.59	10.42	107	109	101	111	114
1956.....	6.09	8.77	10.57	110	111	101	112	116
1957.....	6.24	9.15	11.03	114	115	104	115	120
1958.....	6.27	9.27	11.26	116	117	110	120	124
1959.....	6.24	9.33	11.43	117	119	104	118	125
1960.....	6.30	9.43	11.63	118	121	106	120	126
1961.....	6.30	9.40	11.77	117	123	106	121	128
1962.....	6.45	9.60	11.70	120	123	107	122	129

Senator CARLSON. Will the Senator yield at this point?

Senator FULBRIGHT. I want to finish and yield the floor, if I may. I would like to make this comment:

That when the Senator says about the world price, there is some truth in it. But the argument of those of us who opposed this bill, this approach, was that if we had no country quotas, that certainly our entering the world market would strengthen it, and this would, we thought, stabilize it and make it a much more realistic and nonpaternalistic type of system.

This insistence upon the Government from certain quarters fathering and mothering this kind of activity has always surprised me, because it has not applied across the board. All we were saying is let it find its price, and I agree, if it had been open, if we had not had the country quotas, the world price would have been higher.

Nobody denies that. I made no point against that.

Senator BENNETT. The Senator must also realize, when you are talking about world production and consumption of sugar, you are talking about the production and consumption of sugar in many markets that are not open to us.

Senator FULBRIGHT. Because other countries follow a similar system to ours. The British system is similar, although better, because they collect and balance their system, and, when the price is high, as I understand it, they collect excess; when it is low, they pay it out. Is that not right, Mr. Myers, in Great Britain?

Mr. MYERS. Yes; they buy on a longtime, guaranteed price, contract price.

Senator FULBRIGHT. That is right.

And does not their system more or less balance out so it does not cost the Government very much? I have been told that.

Mr. MYERS. I believe their system is netting them a little benefit at the present time. It does involve, of course, state trading.

Senator FULBRIGHT. Well, state trading, but there is state control here, but it only works one way, only for the sugar producers, and does not give the consumer or the Government a break.

With the British, it works both ways, to some extent, does it not?

Mr. MYERS. That is correct.

Senator FULBRIGHT. That is the only point I want to make. If we are going to have Government control, why do we not at least try to balance this out, and when you have a high price, cut a little of it off, so you build up a kitty to pay when it is low; that is more or less what the British do.

Senator CARLSON. Will the Senator yield at this point?

Senator FULBRIGHT. Let me finish. I do not want to cut off debate, but I do not want to occupy the floor.

Senator CARLSON. My distinguished chairman has just called attention to the fact we are charging our consumers \$200 million in premium payments. I mean our consumers are paying that for sugar.

Mr. MURPHY. This was not the case this year. When the world price is high, the U.S. assistance disappears.

Senator CARLSON. Anyway, it was \$200 million the consumers did pay, and paid, in order to build foreign exchange in foreign countries. We are going to do it with coffee, you agreed to do it. We are going to do it with cocoa, and you are going into global price fixing.

Senator FULBRIGHT. That is not true with coffee. We do not have any similar arrangement with coffee.

Senator CARLSON. It will be.

Senator FULBRIGHT. I do not know what it will be, but it is not. Although it was so stated on the floor, it was very erroneous.

Senator DOUGLAS. Let me say a word for consistency. I want to applaud the Senator from Arkansas for his brave moves in the field of sugar. I think it should be applied to the coffee cup as well as the sugar bowl, but let us stand together on sugar at least.

Senator FULBRIGHT. Well, now, the coffee plan does not involve any premium payment.

Senator McCARTHY. It is \$200 million. It is a support price.

The CHAIRMAN. If it is a payment made for coffee, it has to come from the Senate Finance Committee.

Senator FULBRIGHT. Indeed, it has.

The CHAIRMAN. We were told the treaty would have to be implemented by the Senate Finance Committee.

Senator FULBRIGHT. I have been assured since that time if any such thing is done, it will be sent up as a treaty.

The CHAIRMAN. And it will come up before this committee.

Senator FULBRIGHT. Yes.

The foreign portion of this bill, Mr. Secretary, is up next year, is it not?

Mr. MURPHY. The foreign quotas expire in 1964, which, naturally, would suggest the possibility of considering legislation in 1964.

Senator FULBRIGHT. Will the Department renew the request for global quota purchases and the end of the country quota system?

Mr. MURPHY. I do not know.

Senator FULBRIGHT. You would not want to say now.

Lastly, on June 25, 1962, the Finance Committee adopted an amendment which would reduce the amount of premium payments to do-

mestic producers on a declining basis as production increased. Do you remember that?

Mr. MURPHY. I do not know.

Senator FULBRIGHT. Do you, Mr. Myers? The committee adopted this amendment. I think it was stricken on the floor.

Mr. MYERS. I beg your pardon, Senator. Would you repeat the statement?

Senator FULBRIGHT. Well, the Senator from Illinois has left. I think he and I both supported it. It was an amendment to reduce the amount of the premium payments to domestic producers on a declining basis as production increased. Do you remember such an amendment?

Mr. MYERS. Senator, I am sorry, it does slip my mind.

Mr. MURPHY. There is such a provision in the law now. The producer payments are reduced as production increases. The rate of payments is 80 cents a hundred for the first part of the production, and it goes down to 30 cents a hundred for production over 30,000 tons.

Senator FULBRIGHT. I have forgotten the exact amounts. What I think they did—the Senator from Illinois, could I have your attention—did we not sponsor an amendment adopting a declining amount of the premium in accordance with the increase in production; in other words, the higher the production, the lower the premium?

Senator DOUGLAS. Domestic.

Senator FULBRIGHT. Yes, domestic.

Senator DOUGLAS. I do not remember that, but in 1961, the Finance Committee unanimously advocated purchasing the foreign importation of sugar on a global basis at world price with an offsetting tariff charge equal to the difference between domestic price and world price, and that was defeated on the floor of the Senate, not only by the lobbyists but by the State Department as well.

Now, in the year between 1961 and 1962, the State Department had a change of heart, very fortunately, and we were able to get this adopted for a part of the crop.

May I follow this up with one question?

Senator FULBRIGHT. Yes.

Senator DOUGLAS. As I understand it, we saved \$39 million on a part of the sugar imports for a part of the year, is that not true?

Mr. MURPHY. Part of last year and a little bit at the beginning of this year, 37—

Senator DOUGLAS. But for less than a full year?

Mr. MURPHY. For less than a full year.

Senator DOUGLAS. And on simply a portion of the crop?

Mr. MURPHY. On a portion of the imports.

Senator DOUGLAS. Of the imports, yes.

Senator McCARTHY. Will the Senator yield?

Senator DOUGLAS. Just a minute, please.

Now, then, the question as to whether we could get the sugar at the world price or any appreciable quantity of sugar at the world price, which the Senator from Utah questioned, has been answered.

Here for a portion of the year, on a portion of the imports, we saved \$39 million. Now, this would seem to indicate that for a full year on the full crop we could save very much more than that.

I am sorry, Senator, for interrupting.

Senator FULBRIGHT. Is this correct?

Mr. MURPHY. This, in turn, depends on the supply situation in the world. With ample supplies of sugar in the world, the world price will be lower than if there is a relative shortage. In 1961, there began to develop a relative shortage. It did not come to the surface and become very apparent until the latter part of 1962. It was during the latter part of 1962 that we collected this \$34 million in import fees, because there was still enough sugar in the world to make it practical, worthwhile for people to send it into the United States, paying these import fees.

In 1962, the supply situation became even tighter. There was a crop failure in Europe for the second year in a row, which resulted in a loss of some two, two and a half million tons of sugar there, as I remember, below normal, and a further decline in the production of sugar in Cuba. Their production is roughly down to half of what it was.

Senator FULBRIGHT. We have had this.

Let me finish this and let me quit and give up the floor. On that amendment I mentioned a moment ago, what we did now, my memory is refreshed, while you have a sliding scale, we adopted an amendment increasing that by 10 percent; that is, the decline. Do you remember that?

Mr. MYERS. I do, Senator.

Senator FULBRIGHT. What I wondered is:

Could you estimate, if that amendment stayed in, because it was later knocked out—if it had stayed in—how much would it have saved the Treasury?

Mr. MYERS. I do not know, Senator.

Senator FULBRIGHT. Could you estimate that?

Mr. MYERS. We probably could.

Senator FULBRIGHT. Would you estimate it for the record at your leisure?

Mr. MYERS. We will try to do so.

(The information requested follows:)

*Comparison of Sugar Act payments at proposed rate of payment with actual 1960 data*

(In millions of dollars)

Area	1960 crop Sugar Act payment	Payment at proposed rate	Difference
Hawaii.....	8.8	5.7	3.1
Puerto Rico.....	11.0	13.7	1.2
Mainland cane area.....	8.2	7.4	.8
Domestic beet area.....	39.3	39.0	1.3
Total.....	71.2	65.8	5.4

<sup>1</sup> Estimate based on meager data.

Senator FULBRIGHT. I think the Senator from Illinois and I voted for that, maybe he proposed it. I have forgotten who proposed it, but we voted in the committee at one point to increase the rate of the decline of the subsidy, do you not remember that?

Senator DOUGLAS. I think that is right.



Senator FULBRIGHT. By 10 percent.

I yield the floor.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. In connection with this amendment, if my memory is correct, the amendment was offered in the committee by either the Senator from Illinois or the Senator from Arkansas, it was approved by the committee, it was accepted by the Senate, and it was eliminated in conference. If I recall correctly, it was eliminated upon the recommendation, or at least with the support of, the administration, because I opposed the elimination of that amendment.

Senator DOUGLAS. John, may I correct that? I do not think that is true. We received full support from the Department of Agriculture and the Department of State in 1962 to collect the difference between the world price and the domestic price in the form of a tariff levy.

I was very critical of the State Department in 1961, but I am not critical of them in 1962, and I am not critical of the Department of Agriculture in either 1961 or 1962.

Now, they did face a very tough situation so far as the House was concerned, and they may have made a bargaining concession. But I must protest as one who, with the Senator from Arkansas, has urged this policy, and having the administration blamed for what happened.

Senator WILLIAMS. I am not blaming the administration altogether, but I want to get the record straight because I was one of the conferees. The administration in the beginning did take a very strong position in connection with the support of both this amendment and also in support of the global quota basis, and you remember we were deadlocked in conference. The administration, as I thought, was going to stand pat, but it was about 8 o'clock in the evening after our conference was broken up another meeting was held somewhere that I knew nothing about until afterward. Then later the administration came back, and Mr. Myers, you were there, and the administration reversed its position recommending that the conferees accept the modified version of the House bill.

I refused to sign the conference report because I thought that you had made a mistake, but the sugar bill which came out of the conference last year came out with the blessings of the administration.

Now, I was there.

Mr. MURPHY. I can only say, Senator Williams, I have no recollection of this amendment.

Senator WILLIAMS. I respect you for your standing on a sound program in the beginning. But I lost a little of my respect when you threw in the sponge at the last minute and capitulated and accepted a bill which, in my opinion and in your opinion, did not do the job. But I know that the representatives of both the State Department and the Agriculture Department were there and approved the bill.

I think, Mr. Myers, if I recall correctly, you were reluctant to do this, and I do not think you personally agreed. But the administration did recommend that we accept that conference report as it came out and they will now have to accept the responsibility for its failure.

Mr. MURPHY. I was not working firsthand with the conferees at that time. Mr. Myers was. It might be that he has some comment that would be relevant here.

Senator WILLIAMS. I wish you would comment.

Mr. MYERS. Senator, I do appreciate this opportunity to comment on it. I was, as you may recall, sitting in the outer room, along with a couple of representatives of the State Department, to be available to answer technical questions. I do not know of any communication from the executive branch of the Government to the conferees. There may have been; but if so, I do not know of it, and I did not know of it at that time, and I am sure that the State Department representatives who were there did not hear of it.

Senator WILLIAMS. Now, it is a matter of fact because I know I was speaking with you afterward, and I think you were just about as surprised at what happened as I was.

Mr. MYERS. I think it was the surprise—I first——

Senator WILLIAMS. In a 30-minute period something happened.

Mr. MYERS. First, some one of you had come out and said that the conferees could not reach an agreement. We were excused to go home, you will remember, and then I think Senator Bennett was good enough to call us back.

Senator WILLIAMS. We were all deadlocked, and this all happened so quickly that some of us who did not agree with it never did know what hit us. But I do know this, that it was done at the last minute, and the bill that came out had the blessing and support of the administration, because I was there. I particularly asked them if they approved of the action being taken, and I told them I thought they were making a terrible mistake.

Mr. MYERS. I might say there was also a little difficulty here, I think, in the following discussion about the action of the Senate Finance Committee in reducing the rate of payments or proposing reduction in the rate of payments to growers, and this other action of establishing an import fee. I say that because the record is, I think, a little confusing.

Senator FULBRIGHT. They are two different things.

Mr. MYERS. Two different things; yes.

Senator WILLIAMS. I was not making this point in an attempt to put the blame all on the administration. The Congress is over 21, and they can act for themselves, and they have got to accept the responsibility. But there is an impression trying to be given that this was all the fault of the Congress. Certainly the State Department and the administration are likewise over 21, and they did not have to capitulate. I believe if they had stood pat, we may have come out with a good bill, a much better bill. But that is beside the point.

But this I do know: They did throw in the sponge at the last minute. Some of us were in on the Senate floor, we were ready to go home, thought it was all over—I think, Mr. Myers, you had gone home—and in about 30 minutes we were told to come back in the conference, and after we came back I have never seen such harmony in my life. Everybody seemed to be happy, patting everybody on the back, and I know that included the administration because they said they would be happy with the agreement that had been worked out in some smoke-filled room.

Senator DOUGLAS. I am very grateful to the Senator from Delaware for baring the inner proceedings of the "holy of holies."

Senator WILLIAMS. I thought we had better get that record straight.

Senator DOUGLAS. But I again wish to say that it is well known that the opposition to the global quotas had come primarily from the House. If the administration faced an accomplished fact, and contented itself with getting something rather than nothing, I do not believe they can be blamed, and as I say, I think our proposal in 1961 caught the new administration unprepared. I think they were sympathetic with it, but it constituted such an abrupt change with the past that the State Department was unable to adjust itself intellectually to the new situation and, in addition to that, there was pressure from foreign countries, which made them somewhat oblivious to the demands of the American consumer.

Senator WILLIAMS. Well, I do not know what pressure the State Department or anyone else was under. It happened to be one issue in which I was wholeheartedly in support of the administration's position. I think our committee and, I think, the Senate did a fair job with the bill. I cannot argue, I do not think anyone can, that it would have been better if you had not capitulated in the last minute, but you did and accepted it. I am not arguing that.

We do not know what would have happened. But the point I am making is the administration has got to accept equal responsibility for what came from the conferees because they recommended what came out from the committee; and as one who refused to sign the conference report and felt we should have stood pat I just wanted to be sure that those who capitulated each take their responsibility for it. I do know that the administration fully approved last year's Sugar Act in the form it passed the Congress.

Mr. Myers, in answer to an earlier question of Secretary Murphy, if I understood you correctly, you indicated that you still think that global quotas would have been preferable to country quotas. Did I understand that correctly?

Mr. MURPHY. I think I said, Senator, that in this situation this year the global quota, to the extent that we had it, we regard as being our salvation in meeting the critical situation that arose, and that had we not had his global quota, roughly a million and a half tons, we think we would have had to suspend the quota system altogether.

I do not think I said that a complete quota system would have been better. Certainly that was our judgment last year. I think we will want to reexamine that judgment in the light of this unusual experience this year, and we may very well come out with the same conclusion.

Senator WILLIAMSON. Mr. Myers, do you agree with that?

Mr. MYERS. Well, yes, very definitely, Senator.

The global quota has permitted us to get close to million and three-quarter tons of sugar on a first-come, first-served basis, and that is a competitive thing, and that is why we were able to get it signed up quickly.

Senator McCARTHY. Mr. Chairman, if I may interrupt, you do not mean to say that you could not have gotten that sugar any other way, if you did not have global quotas; you could not have gotten that sugar?

Mr. MYERS. Senator—

Senator McCARTHY. Perhaps not on such favorable terms, but—

Mr. MYERS. If some superhuman voice could have been able to tell us which countries would have high crops and which low, then you

could have perhaps picked up the same quantity of sugar under a country quota system. I do not know how any human being could have told that Argentina, that sent us 10,000 tons of sugar a year ago, would be able to fill its 20,000-ton quota, and 226,000 tons of global quota this year.

Senator McCARTHY. The fact that you declared it a global quota did not create the 200,000 tons in Argentina. The sugar would have been there. You could have come in under the world market for it. The fact that you announced the global quota did not produce the sugar in Argentina, which is the logic of your argument now.

Mr. MYERS. No. The logic of my argument is quite to the contrary. Nature produced the sugar. The global quota permitted us to get it.

Senator McCARTHY. Well, you could have gotten it anyway.

Mr. MYERS. Not if we had not the freedom to get it.

Senator McCARTHY. You are not sitting here and saying that because you have the global quota that you could not have gotten the sugar without it?

Mr. MURPHY. I think we could have gotten it. I think we could have gotten it by suspending the country quotas. This would be the only way to get that sugar if we had not had the global quota.

Senator McCARTHY. I know. But to come in here and say that if you did not have the global quota you would not be able to get it—

Mr. MURPHY. Only because we have the global quota we were able to get it without suspending the quota system altogether, which would have been a relatively drastic action, and I would assume the advocates of country quotas would have preferred for us not to take that kind of action.

Senator WILLIAMS. Had you suspended the country quotas altogether, that would have been the equivalent of making everything global quotas.

Mr. MURPHY. Yes.

Senator McCARTHY. You got all this in the form of quotas.

Senator WILLIAMS. To find out just how these country quota systems did work, I notice that Venezuela had 12,000 tons of country quota. Is that correct? I am referring to the chart which you prepared for me.

Mr. MURPHY. They have no country quota, I am told.

Senator WILLIAMS. They have no country quota?

Mr. MURPHY. No country quota. They have 12,000 tons coming in under a global quota.

Senator WILLIAMS. How much have they furnished?

Mr. MURPHY. 12,000 tons.

Senator WILLIAMS. They furnished 12,000 tons?

Mr. MURPHY. They are furnishing 12,000 tons under the global quota. They have no country quota.

Senator WILLIAMS. I asked how much have they furnished up to this point under each quota.

Mr. MURPHY. Well, this has been furnished in the sense that it has been charged to a quota. Whether it has actually been imported, I do not know.

Senator WILLIAMS. Well, you cannot sweeten your coffee with something that is promised, and I am speaking of how much has been shipped on that quota which has been allotted. I am not singling out this country; I am going to ask the same question on the others. How

much have they shipped in the first 5 months of this year of that quota? That is the question. You cannot sweeten this coffee with sugar that somebody is going to ship in December.

Mr. MURPHY. I think I may have that information here, Senator. Let me see if I can find it.

The information that I have, Senator, is in terms of what has been charged to the quotas as distinguished from what has been actually imported now. This does not make it possible for me to say with assurance whether it has been actually imported or not.

Senator WILLIAMS. Well, now, I submitted these questions in advance, and I do want an answer. Mauritius was an island that none of us knew where it was until it was mentioned in here. They have a 67,000-ton quota. How much have they shipped?

How much of the country quota did they have and how much have they shipped under each?

Mr. MURPHY. Mauritius had no country quota. It has committed 67,000 tons under the global quota, and that has not arrived.

Senator FULBRIGHT. What do you mean by "committed"? I do not understand it. Have they made an agreement to ship it at a price?

Mr. MURPHY. They have.

Senator FULBRIGHT. What?

Mr. MURPHY. They have. Some party, shipper, seller, has made an agreement to import that sugar into the United States and has given to us what amounts to a bond to secure the importation of that sugar.

Senator WILLIAMS. But at what price?

Mr. MURPHY. At a price that is arrived at by agreement between the seller and the purchaser in the United States.

Senator WILLIAMS. And the price can be determined—

Mr. MURPHY. Which normally would be about the U.S. price, current U.S. price.

Senator WILLIAMS. The price can be at today's price or the price in December or whenever it is shipped as it may be agreed upon by the shipper and seller, is that correct?

Mr. MURPHY. That is correct.

Senator WILLIAMS. Now, to get back to my first question, do you have the shipments that have come in from Venezuela—that you have imported this year?

Mr. MURPHY. I only have the information in terms of whether it has been charged to the quota, and it had not been imported through the end of May.

Senator BENNETT. You say it had not been imported through the end of May?

Mr. MURPHY. It had not been imported.

Senator WILLIAMS. In South Rhodesia, you have given them 11,000 tons, is that correct, and none of that has come in?

Mr. MURPHY. That is correct.

Senator WILLIAMS. Here is a new one on me—Reunion. What country is that?

Mr. MURPHY. I was told the other day by Mr. Myers that this is an island near Mauritius. [Laughter.]

Senator WILLIAMS. Well, the committee determined where Mauritius was last year, although I will be honest to tell you that I have forgotten.

Senator BENNETT. It is in the Indian Ocean.

The CHAIRMAN. We had to get a map to find out where Mauritius was, last year.

Senator WILLIAMS. Reunion is near the southern tip of Africa, I understand. But they have been allotted 10,000 tons, and you have imported the 10,000 from that area, is that correct?

Mr. MURPHY. That is correct.

Senator FULBRIGHT. May I ask the Senator for clarification? When you say "allotted," you are talking now about you have gone out and bought wherever you can buy it?

This is not an allotment, I mean anybody who is willing to sell, they make a commitment under the global quota?

Mr. MURPHY. Senator, the way this was done, parts of the global quota were opened up, originally 750,000 tons, speaking generally, on a first-come, first-served basis.

Senator FULBRIGHT. That is what I mean.

Mr. MURPHY. And when importers came to the Department and offered to give this assurance that it would be imported, they put up an irrevocable letter of credit. The necessary tonnage from the global quota was allotted to them, so to speak, at that point, and this means that they were then entitled to import this portion of the global quota of sugar.

Senator WILLIAMS. Colombia—how much of a country quota did they have?

Mr. MURPHY. Colombia—

Senator WILLIAMS. The country quota.

Mr. MURPHY. 33,000 tons.

Senator WILLIAMS. How much have they shipped in the first 5 months of this year?

Mr. MURPHY. 11,000 tons.

Senator WILLIAMS. Was that 11,000 of the basic quota, I mean the country quota, or did you charge it to the world quota?

Mr. MURPHY. That was not charged to the country quota.

Senator WILLIAMS. The report that you gave me, Mr. Secretary, shows that Colombia has 33,000 tons as a country quota and that they have shipped nothing through the end of May.

Mr. MURPHY. I believe I have the same one, Senator, which in the last three columns indicates the imports, and it indicates that the total imports from Colombia through the month of May were 11,000 tons, but none of this was basic quota sugar, and that the whole 11,000 tons were "other," which would mean either global quota or Western Hemisphere quota which, I think, are the same to all intents and purposes for present purposes.

Senator WILLIAMS. Now, to get back to my question, how much of the country quota, 33,000 tons, has Colombia shipped as of the end of May?

Mr. MURPHY. None.

Senator WILLIAMS. None. That was very simple. It would have saved a lot of time if you would have answered that in the beginning.

Mr. MURPHY. I am sorry I was so obtuse.

Senator WILLIAMS. We are going to get around to it, and we could save some time.

Now, Brazil has a country quota of how much?

Mr. MURPHY. Brazil has a country quota of 195,000 tons.

Senator WILLIAMS. How much have they shipped during the first 5 months of this year?

Mr. MURPHY. They had shipped no country quota sugar, 184,000 tons of other sugar.

Senator WILLIAMS. That is right. But they had shipped nothing on the country quota?

Mr. MURPHY. That is right.

Senator WILLIAMS. Now, Ecuador.

Mr. MURPHY. Ecuador has a basic quota of 27,000 tons and through May it has shipped nothing on the basic quota; 18,000 tons on the other quota.

Senator WILLIAMS. I am going to ask, Mr. Chairman, that we put this report in the record at this point.

The CHAIRMAN. Without objection.

(The document referred to follows:)

*Calendar year sugar quotas and allocations, and imports charged thereto,  
January to May inclusive, 1962 and 1963*

(1,000 short tons, raw value)

Source	1962		1963					
	Total calendar year quotas and allo- cations	Imports during January- May	Calendar year quotas and allocations			Imports January-May charged to—		
			Total	Basic	Other <sup>1</sup>	Total	Basic	Other <sup>1</sup>
Philippines.....	1,267	527	1,208	1,050	158	464	399	65
Dominican Repub- lic.....	864	358	574	336	238	225	85	139
Peru.....	586	230	418	208	212	178	50	128
Mexico.....	410	363	346	206	140	253	189	64
Brazil.....	409	41	476	195	281	184	0	184
British West Indies.....	183	11	144	98	46	67	61	6
Australia.....	148	0	218	43	175	39	11	28
Republic of China.....	121	38	74	38	36	33	33	0
French West Indies.....	44	5	99	33	66	42	7	35
Colombia.....	66	28	79	33	46	11	0	11
Nicaragua.....	61	25	42	27	15	22	7	15
Costa Rica.....	29	5	37	27	10	19	19	0
Ecuador.....	73	0	65	27	28	18	0	18
India.....	147	49	124	22	102	11	0	11
Haiti.....	37	2	41	22	19	33	14	19
Guatemala.....	35	0	47	22	25	32	20	12
South Africa.....	93	0	133	22	111	44	0	44
Argentina.....	10	0	237	20	217	43	9	34
Panama.....	5	4	16	16	0	10	10	0
El Salvador.....	19	0	20	11	9	17	8	9
Paraguay.....	4	0	11	11	0	0	0	0
British Honduras.....	0	0	11	11	0	0	0	0
Fiji Islands.....	16	0	35	11	24	0	0	0
Ireland.....	10	3	10	10	0	5	5	0
Belgium.....	2	1	8	(2)	8	8	0	8
France.....	0	0	24	0	24	16	0	16
Reunion.....	0	0	10	0	10	10	0	10
Southern Rhodesia.....	0	0	11	0	11	0	0	0
Mauritius.....	13	0	67	0	67	0	0	0
Turkey.....	65	0	7	0	7	7	0	7
Venezuela.....	0	0	12	0	12	0	0	0
Netherlands.....	7	5	0	0	0	0	0	0
Canada.....	4	0	0	0	0	0	0	0
United Kingdom.....	2	0	0	0	0	0	0	0
Unallocated.....	14	0	102	0	102	0	0	0
Total.....	4,724	1,690	4,698	2,497	2,199	1,791	928	893

<sup>1</sup> Quota deficit reallocation and global quota.

<sup>2</sup> 182 tons.

Senator WILLIAMS. I won't go through asking all of this, but I would like to ask this question.

As you buy this sugar on the world market from these countries under the global quota do you have any assurance you are not indirectly buying Cuban sugar?

Mr. MURPHY. I understand that we do. The law provides, as I understand it, that the sugar must be produced in the country from which it is exported.

Mr. MYERS. That is correct, Senator, and every importer when he applies for a setaside or charge to quota must state in his application the country from which the sugar is to come.

Senator WILLIAMS. Do you follow through to make sure—

Mr. MYERS. We follow that rather carefully, yes.

Senator WILLIAMS. Do you have figures to show the amount, the percentage of the world production of sugar that is produced by Russia?

If you do not have it available, would you furnish that?

Mr. MURPHY. We can furnish them from the best information we have.

Senator WILLIAMS. And add to that the percentage that was furnished by all of the Communist countries broken down by countries as well as by tonnage. Also let it include the amount which they are buying from Cuba.

What I would like to know is the total production, the percentage of control which Russia has over the world sugar supply as of this period.

Mr. MURPHY. We will be glad to provide information on that. We have some information here this morning as to the imports by Russia, but not production in Russia.

Senator WILLIAMS. I wish you would furnish what information you have.

(The information referred to follows:)

*Centrifugal sugar production (raw value)*

[Thousands of short tons]

Country or area	1961-62		1962-63	
	Quantity	Percent of world total	Quantity	Percent of world total
<b>Sino-Soviet Bloc:</b>				
Cuba.....	5,400	9.5	4,200	7.7
U.S.S.R.....	7,300	12.9	6,900	12.6
<b>East Europe:</b>				
Albania.....	14	nil	14	nil
Bulgaria.....	220	.4	215	.4
Czechoslovakia.....	1,240	2.1	1,020	1.9
Germany, East.....	878	1.6	790	1.4
Hungary.....	417	.7	428	.8
Poland.....	1,807	3.1	1,464	2.7
Romania.....	452	.8	395	.7
Yugoslavia.....	256	.5	270	.5
Total East Europe.....	5,284	9.3	4,596	8.4
Total Sino-Soviet Bloc (including mainland China).....	18,384	32.5	16,258	29.7
<b>Free world:</b>				
North America.....	10,027	17.7	10,417	19.0
South America.....	6,982	12.3	6,780	12.4
West Europe.....	8,325	14.7	7,951	14.5
Africa.....	2,993	5.3	3,302	6.0
Asia (except mainland China).....	8,188	14.5	7,756	14.2
Oceania.....	1,695	3.0	2,291	4.2
Total free world.....	38,210	67.5	38,497	70.3
Total world.....	56,594	100.0	54,755	100.0

Source: Foreign Agricultural Service and International Sugar Council.



The bloc produces 30 percent of the world total and consumes 25 percent. In 1962, Cuba exported 1,556,000 short tons of sugar, 28 percent of its total exports, to the free world. Cuban exports to the free world in 1961 totaled 1,752,000 tons, 25 percent of its total exports.

The U.S.S.R. exported 806,000 tons of sugar to the free world in 1962 and 495,000 tons in 1961.

Exports from East Europe to the free world totaled 1,335,000 tons in 1962 and 1,962,000 tons in 1961. Historically East Europe has been a net exporter of sugar. The bulk of its exports go to free world markets. The current level of East European exports is well above the pre-Castro years.

Senator WILLIAMS. Now, as I was reading this chart, which we will place in the record, it shows that not very many of these countries which had country quotas supplied their country quota sugar during the first part of this year, but the bulk of the sugar was bought through the global quotas, is that correct? Not the bulk perhaps, but a substantial part.

Mr. MURPHY. Well, that varies from country to country.

Senator WILLIAMS. It does. But I am speaking as a whole. From January to May you have imported 928,000 tons of sugar from country quotas, and you had an allocation, I mean country quotas of 2.497 million, is that right, 2,497,000 tons for your basic allocations?

Mr. MURPHY. Of the sugar that had been imported and charged to country quotas as of the end of May, 928,000 tons.

Senator WILLIAMS. Against a total of 2,497,000 tons for the full year.

Mr. MURPHY. That is right.

Senator BENNETT. How many months?

Mr. MURPHY. Five months.

Senator WILLIAMS. Five months.

Senator BENNETT. Five-twelfths of 2,400,000 would be 1 million tons. These countries are not far behind, on a calendar basis they are not far behind, their obligation, are they?

Mr. MURPHY. They are not. I think it is important to note here that a number of these same countries have sent in during these months a substantial amount of sugar under the global quota, and it has been extremely useful to us to have the sugar, as in the case of Brazil, to which we referred earlier.

I would perceive no basis for criticizing them for sending sugar in under the global quota earlier than under the country quota.

Senator WILLIAMS. I am just trying to put into the record what has happened. A deficit of 100,000 tons of sugar is significant.

I do not know what the percentage would be. But as I understand it, this 928,000 tons is what is charged against their quota, and part of that may not have arrived as of yet; is that correct?

Mr. MURPHY. As I now understand this table, Senator, these are actual imports.

Senator WILLIAMS. That have actually arrived?

Mr. MURPHY. Actually been imported and charged to—

Senator WILLIAMS. To the countries.

Mr. MURPHY. That is right.

I will check this again when I get back to the office. If that is an error, I will advise you.

Mr. Myers tells me this is correct. This represents actual imports.

Senator WILLIAMS. Actual imports.

Senator BENNETT. Will you yield?

Senator WILLIAMS. Yes.

Senator BENNETT. But when you go to the global quota, your figures are allocations on the global quota or figures charged to the global quota.

Mr. MURPHY. We have figures as to actual imports under the global and Western Hemisphere quotas which, in the first 5 months, amounted to 865,000 tons.

Senator WILLIAMS. The figures I am putting in the record break that down both as to country and global quotas.

Senator BENNETT. During the colloquy here we have heard discussions of the allocations to the global quota or commitments under the global quota, and then some questions have been asked about a specific country, and you could not tell us whether that commitment had actually been validated by an actual import.

Are all the commitments under the global quota figures, do those figures represent sugar that has actually arrived in the United States?

Mr. MURPHY. The sugar that has actually arrived in the United States under the global quota by the end of May is 863,000 tons.

Senator BENNETT. And this compares with how much which had been committed under the global quota by these same countries?

Mr. MURPHY. The total under the global quota is 2,199,000.

Senator BENNETT. So the percentage that has come in under the global quota is approximately the same as the percentage that has come in under the country quota.

Mr. MURPHY. Roughly the same.

Senator DOUGLAS. Just a minute, Mr. Chairman. What portion of the year is covered by these figures?

Senator BENNETT. Five months.

Mr. MURPHY. Five months.

Senator DOUGLAS. Isn't that about five-twelfths of the total?

Senator BENNETT. The point I made was, it was five-twelfths of the country quotas also. So there is no difference between importation under the country quota and importation under the global quota during this 5-month period.

Senator WILLIAMS. Except this point, as I understand it: As I figure it here, we are 164,000 tons short in arrival, both global and country quotas during the first 5 months. The annual total, including both country and global, was 4,696,000 tons, is that correct?

Mr. MURPHY. Yes, sir.

Senator WILLIAMS. And of that, the first 5 months show 1,791,000 tons imported.

Mr. MURPHY. That is correct.

Senator WILLIAMS. Of both. And figuring it on five-twelfths, our imports should have been 1,955,000 tons, or 164,000 tons more.

Mr. MURPHY. I do not know whether this pattern falls in five-twelfths of an equal pattern each month. We have, for example, on this table an effort to compare what happened this year with what happened last year, and you will see that imports during the same 5 months last year totaled 1,690,000 tons as against this year, 1,791,000

tons. So actually the first 5 months of imports this year seem to have been a little larger than during a comparable period last year.

Senator BENNETT. Isn't it true that the greatest period of use of sugar and by the commercial producers is in the summertime, so that we would expect a higher importation after the first 5 months than before, a higher rate?

Mr. MURPHY. It is true that the period of greatest use of sugar is in the summertime. I think this also has a relationship to the fact of the time when our domestic crop comes on the market. There naturally would be a greater need for imports at the time when our domestic crop is not being marketed than when it is available. Here again, if we get into the details of this relationship, I would have to call on Mr. Myers.

Senator WILLIAMS. I am not sure I understood correctly the figures which you gave about the comparison of the 5-month importation this year and last year. Would you repeat those?

Mr. MURPHY. Yes, sir. On this table you will see the first two columns relate to 1962, and we have in the second column a total of imports during the first 5 months of 1962 of 1,690,000 tons which compares with a total amount of imports during the same 5 months this year of 1,791,000 tons.

Senator BENNETT. About 100,000 tons more.

Senator WILLIAMS. Now, I am looking at the reports which you furnished me, and I am always confused when we get two sets of books.

Mr. MURPHY. I thought this was the same table you were looking at earlier, Senator.

Senator WILLIAMS. That is what I thought.

I am looking at this report here which is attached. You have 1962. Now, you only listed certain countries here, the Philippines, Dominican Republic, Peru—are you quoting from that report?

Mr. MURPHY. No, sir; I do not think so. This is one that is headed "Calendar Year Sugar Quotas and Allocations, and Imports Charged Thereto, January-May Inclusive, 1962 and 1963."

Senator WILLIAMS. I will put this other chart that you furnished in the record also, and this one shows that from these respective countries you are about 211,000 tons short.

Mr. MURPHY. That is right. We broke down—

Senator WILLIAMS. Am I correct in that?

Mr. MURPHY. If I may comment on that, Senator, the longer table that has all the countries included has the 5-month period lumped together for both 1962 and 1963.

In the case of certain of the larger suppliers it seemed to us worthwhile to try to break this down to shorter periods than the 5 months, and I understand that we did send to you a table which, for the Philippines, the Dominican Republic, Peru, Mexico, and Brazil, undertook to break this comparison between 1962 and 1963 down month by month for the first 5 months.

Senator WILLIAMS. I will ask that both reports be put in the record.

Mr. MURPHY. Very well.

(The document referred to follows:)

**BEST AVAILABLE COPY**

*Sugar imported from selected countries, January-May, 1962 and 1963*

[In thousands of short tons raw value]

1962

	January	February	March	April	May	January to May
Philippines.....	49	36	112	144	186	527
Dominican Republic.....	59	54	54	110	79	356
Peru.....	39	57	57	51	26	230
Mexico.....	51	74	60	95	83	363
Brazil.....	13	0	16	0	12	41
Total.....	211	221	299	400	386	1,517

1963

Philippines.....	1	99	88	137	139	464
Dominican Republic.....	38	27	16	63	81	225
Peru.....	36	40	36	26	31	178
Mexico.....	0	30	68	75	80	253
Brazil.....	37	92	42	0	13	184
Total.....	112	297	250	301	344	1,304

Prepared per request of Mr. Murphy.

Senator WILLIAMS. What I am wondering is to what extent the fact that there may have been a slight delay in these shipments in the first 3 months may have precipitated this price increase? We all realize that sometimes it is a very narrow margin between a surplus and a shortage, and if there were just a slight vacuum created in 3 or 4 months of this year even a 5 percent diminishing of the supplies arriving could create a short situation; could it not?

Mr. MURPHY. It could create a short situation by reason of—

Senator WILLIAMS. Did such a situation arise?

Mr. MURPHY (continuing). By reason of this fear, leading people to make unusually large purchases, and I think this is what happened to a considerable extent, and I believe it relates not as much to actual shortfalls or lower importations, but the fear that there might be lower importations during the remainder of the year.

Senator WILLIAMS. I appreciate that it feeds on itself when it starts. But it can very easily be started with just a narrow, thin line between a difference in the supply and demand situation; can it not?

Mr. MURPHY. Yes, sir. The difference between too much and too little is relatively narrow.

Senator WILLIAMS. After we passed this Sugar Act last year many of the countries were trying to get in under the old Sugar Act and get their sugar in here prior to the effective date of the new act; is that not true? It was more profitable to do so.

Mr. MURPHY. I would have to again turn to Mr. Myers on this. I think that the situation was that the permission to bring sugar in last year was broken down by 6-month periods that, as I recall, was operating under a law that expired in June, and the amount that countries could bring in was limited in terms of 6 months' allocation or quota, so I am sure they were anxious to and did do all they could to fill that quota before the end of that 6 months.

Senator WILLIAMS. That is right. There was an incentive, and it actually developed there were heavy shipments in that period imme-

diately prior to the enactment of the sugar program; is that not true? I know we were told at the time we were considering it that that was one of the reasons why the administration wanted to get an act of some kind so quickly.

Mr. MURPHY. May I ask Mr. Myers to comment on this? This also was complicated, as I recall, by the fact that the law actually did lapse for a few days.

Senator WILLIAMS. That is right.

Mr. MURPHY. And all of us were somewhat concerned and interested in the possibilities of what might happen during a period when there was no provision in effect.

Senator WILLIAMS. That is what I am trying to establish. But there was an incentive for accelerations of shipments, and they were actually accelerated in that period. But later you incorporated in the act a provision that to the extent that a country had accelerated its shipments during that period they lost that quota later during the 1962 year; is that not correct?

Mr. MYERS. Their shipments were charged to the quota subsequently established for them.

Senator WILLIAMS. To the country quota, and that was done on the premise that the countries which had these basic country quotas would not get excess tonnage into this country as a result of the lapse of this act; is that correct?

Mr. MYERS. That is correct; yes.

Senator WILLIAMS. But didn't that create this situation, that you had an acceleration of shipments of sugar coming into the country the first, we will say, 7 months of 1962, and this acceleration of shipments coming in the first 7 months likewise tended to produce smaller shipments of sugar than normal in the last 5 months.

Mr. MYERS. Senator, I think not. The authority for their bringing in shipments ran only through the first 6 months of 1962. Therefore, they had what amounted to 6-month quotas.

Now, it is true that those were at the premium prices. If they did not fill them they lost them, and undoubtedly the fact that the Congress was considering an import fee may have made them very ambitious to fill those quotas in the first 6 months.

But the period between the termination of the old restrictions after June 30 and the passage and signing of the new legislation covered only a part of July. I do not think much sugar was imported during the interim. It could have covered only the few tons in port and sugar that was arriving during that period.

Senator WILLIAMS. It is not necessarily a few tons. Some of it was brought in on passenger vessels; a couple of vessels that were headed for Europe were diverted into our ports and unloaded, and yet it was charged to their later quotas.

The point I am making is that as a result of an attempt to manipulate the law of supply and demand you did not do such a good job. An artificial vacuum was created in the last half of last year and set the stage for exactly what happened in early 1963.

I am not trying to place responsibility as to who did it, but it is just the natural result of circumstance of events.

Mr. MYERS. Well, Senator, our real problem—

Senator WILLIAMS. It really took you until the end of the first quarter of this year before you recognized that there was a shortage of country delivery quotas. After you established this shortage, you then made your allocations on a global basis whereby you could get the additional sugar in here. You did not make those allocations on a global basis until after you got the net result of the country quota shipments of the first quarter of 1963 showing you needed it; is that not true?

Mr. MYERS. No; Senator, that is not quite correct, and I would like to make a little additional statement to interpret that table that you have.

The table shows imports up to the end of May, and I would like to call your attention to the fact that it was on the sixth of May that we increased our total quotas by 600,000 tons and declared deficits. That added 88,000 tons to the sum total of the foreign country quotas, and 464,000 tons to the global quota and the reallocations collectively. Since none of this additional sugar could arrive by the end of May, the changes create an unequal basis for comparing actual imports under the two quota systems.

Senator WILLIAMS. But the fact that these allocations had been made on May 22, thereby insuring to the consumer in this country that there was going to be a sufficient amount of sugar brought in, had a noticeable effect on the market. It was the contributing factor, is that not correct?

Mr. MYERS. After the sugar was signed up, I think that was the factor that caused the market to start down.

Senator WILLIAMS. Why didn't you make that decision 3 months sooner—

Mr. MYERS. Senator—

Senator WILLIAMS (continuing). Or 30 days sooner? Why wait until May?

Mr. MYERS. Senator, there were several reasons for not doing so. The world market was climbing very rapidly.

Senator WILLIAMS. Was it lower or higher on May 6 and May 22 when you made the decision?

Mr. MYERS. It actually turned out to be higher on May 6 than it had been earlier, but it was rising. Our previous total of quotas was sufficient to have covered our actual consumption.

Senator WILLIAMS. May I interrupt? Quotas were sufficient, but had they delivered them? Did you have any reason to think they would be delivered?

Mr. MYERS. I do not think it was that so much. Rather it was on our own side, our consumers, that is, the industrial users and distributors, who started responding to this rise in prices, the thing you referred to a moment ago, as the market feeding on itself, and they started buying for future requirements in addition to current requirements, with the result that we had 600,000 tons more sugar distributed up to May 25 this year than for the corresponding period a year ago.

Senator WILLIAMS. But the decision which you made on May 6 had a noticeable effect on the price of sugar in this country.

Mr. MYERS. Well, the market was rising and continued to rise from May 6 to May 22. By the night of May 22 we had applications in substantially to fill the global quota increase, and that became known when we released the information the following morning.

Senator WILLIAMS. That was released when?

Mr. MYERS. The morning of May 23.

Senator WILLIAMS. The morning of May 23?

Mr. MYERS. The market opened up the limit, and immediately fell back the limit. It closed at the low point.

Senator WILLIAMS. They day before you made the release there was next to the heaviest trading in the history of the exchange.

Mr. MYERS. You have the table before you. I have it here. I am sure the Senator is correct.

Senator WILLIAMS. It was double the activity on the exchange the day before you made the release as it was thereafter. Do you suppose this report could have been leaked?

Mr. MYERS. After that trading fell off very sharply.

Senator WILLIAMS. That is right.

Mr. MYERS. Yes, indeed.

Senator WILLIAMS. Just before the release, 3 days before the release, there was a tremendous volume of trading on the exchange.

Mr. MYERS. A tremendous volume, on the domestic contracts, volume of trading on the domestic contracts, 1,432 contracts. It was not the highest in the history of the exchange, but it was a big one.

Senator WILLIAMS. I see one higher. There may have been more.

Mr. MYERS. That is right. But then, as you say, it fell to a half or 722 on May 22, 748 on May 23, and then down to 120 on May 24, and from there on for a period the market would open down the limit for the day, and then they would have to work out such transactions as could be made.

Senator WILLIAMS. In other words, since you made the announcement that you had adequate supplies assured, global or country quota basis, the market has been dropping the limit practically every day; has it not?

Mr. MYERS. Yes, sir; after they were signed up.

Senator WILLIAMS. And that is the result of your action on May 6, followed by your announcement on May 22 that you had accomplished your objective, is that correct?

Mr. MYERS. I think that is correct.

Senator WILLIAMS. There is nothing that would have prevented you from having taken that action 30 days sooner had you wished to do it, is that correct?

Mr. MYERS. Senator, you are attaching a motive there.

Senator WILLIAMS. No, no, I am not attaching, not at all.

Mr. MYERS. Of our desiring to delay this.

Senator WILLIAMS. No. I make this suggestion, because before I came down here to make the statement I had operated as a buyer, and I have made many a misjudgment on the market. I am certainly not holding you responsible to be able to judge this market, but I am holding you responsible for your action or failure to take action.

I am merely stating the facts. The point I am making is that this error did happen, and the point I am establishing is that you could have made your decision 30 days sooner and thereby assured the country that we would have had an adequate supply of sugar, and you would have prevented much of this market rise.

Now, looking back, isn't that true?

Mr. MYERS. Yes, Senator, we could have made the quota increase sooner, if we had known that this huge bulge in distribution was go-

ing to occur, that we were going to have consumers and industrial users continuing to pile up stocks of sugar, then surely we should have taken the action sooner. Earlier action would have brought the issue to a head sooner.

Senator WILLIAMS. You would not have had to have known that. That is one of the factors that feeds on your action.

Had you acted earlier this condition would not have existed. That factor would not have developed.

There would not have been this tendency to hoard this sugar had there not been a 30- or 60-day period during which the consumers, the producers, and the speculators saw a potential shortage.

Once that potential shortage was eliminated the incentive vanished, and I am wondering if, looking backward, you do not recognize an undue delay in making these allocations.

Mr. MYERS. I would call your attention to the fact, Senator, that the market shot up sharply as we increased our import quotas.

Senator WILLIAMS. May I interrupt there, it kept rising after you announced you were going to increase them. But after you were able to announce that you had signed these orders and had the accomplished fact of assurance of adequate supplies, the market has been declining ever since.

Mr. MYERS. That latter is absolutely correct. Until that time, you will remember, there were many arguments being made that we had lost control of the situation, that we would not get our sugar and that sort of thing; and those, too, were among the factors, the psychological factors, that were affecting the market at that time.

Senator WILLIAMS. Under the law, as I understand it—I am not altogether placing this responsibility on you—under the law, as I understand it, you felt that you could not make this allocation on a global basis as you did on May 6 until after you had actually established the fact that you needed it. Had these countries been filling their country quotas more rapidly you would have had less need for global quotas.

Mr. MYERS. We might have had a different market situation if that had happened. I cannot tell what the situation would have been if we would have had a different supply and market situation.

Senator WILLIAMS. Do you have any—and this is certainly not a personal reference because I might say, Mr. Myers, that I have never worked with many men in government for whom I have a higher respect than I have for you. I want that understood, and this question is not intended to reflect on you personally.

Mr. MYERS. Thank you.

Senator WILLIAMS. Do you have any indication to cause you to think that there might have been a leak as to some of the decisions that were made by the Department?

Mr. MYERS. No, Senator, we do not. It is one of the things that we have held onto rather tightly, some people claim rather too tightly, but we have tried not to call in any unnecessary personnel into the discussions of these problems for that very reason.

It is, of course, a potential market factor, every one of these actions, and we have to safeguard them.

Senator WILLIAMS. These particular decisions of May 6 and May 22, as announced, were strong market factors.

Mr. MYERS. The May 22 figures were extremely important. But let me say that they are announced every day. Every day we report



to the New York Coffee & Sugar Exchange, where they send it out over their ticker tape to all of the members, what the quota balances are.

We do that because it is necessary for a broker to know whether he can work a new cargo of sugar in for this market. Therefore, they follow those on a day-to-day basis, and it does not have the same potentiality for leaks therefore, of an action such as that of May 6 increasing quotas.

Senator WILLIAMS. I appreciate your comments.

I might say that based on my observation a large part of this rise in sugar prices resulted from an artificial shortage that was created in this country or the feeling that there may be a shortage because of your failure to act more promptly. The stage was set, and I, personally, feel that a more rapid decision prior to May 6 could have prevented this recent skyrocketing of the market.

I do not think it would have done it altogether because you cannot control the world situation.

Mr. MYERS. And that, of course, is the background against which we were operating, and there were a whole series of bad world reports coming in at that time.

Senator WILLIAMS. I admit that my analysis of this situation and criticism of the delays are based on hindsight, and that is always much easier than foresight.

I ask, Mr. Chairman, that we have printed in this record the report, as furnished by Mr. Myers showing the volume of trading and the open contracts on the commodity exchanges for sugar. This report is broken down by dates for this calendar year. It shows the expanded trading during the period of some of the decisions made by the Department.

The CHAIRMAN. Without objection.

(The documents referred to follow:)

*Sugar futures: Monthly volume of trading, domestic contract No. 7, and world contract No. 8, and spot prices, New York Coffee & Sugar Exchange, January 1962 to May 1963*

Month	Domestic contract No. 7		World contract No. 8	
	Volume of trading <sup>1</sup>	Spot price cents per pound	Volume of trading <sup>1</sup>	Spot price cents per pound
1962—				
January.....	3,545	6.45	979	2.30
February.....	2,254	6.37	1,005	2.36
March.....	3,168	6.43	3,392	2.65
April.....	3,875	6.43	3,954	2.69
May.....	2,920	6.45	4,982	2.60
June.....	1,581	6.45	3,365	2.63
July.....	2,740	6.39	4,349	2.92
August.....	2,380	6.54	7,981	3.24
September.....	2,147	6.43	5,495	3.18
October.....	3,551	6.52	7,546	3.28
November.....	1,382	6.44	8,094	3.65
December.....	2,030	6.54	12,032	4.29
Total or average.....	32,576	6.45	63,172	2.98
1963—				
January.....	4,877	6.70	20,037	5.41
February.....	9,500	6.80	21,020	6.06
March.....	9,058	7.01	36,103	6.62
April.....	16,768	8.26	34,155	7.65
May.....	16,156	11.08	32,977	10.36

<sup>1</sup> Number of contracts of 112,000 pounds each.

*Sugar futures: Daily volume of trading and open contracts, in domestic contract No. 7, and world contract No. 8, and spot sugar prices, New York Coffee & Sugar Exchange, Jan. 2, 1963, to May 31, 1963*

[Contracts of 112,000 pounds each]

Date	Domestic contract No. 7			World contract No. 8		
	Volume of trading	Open contracts	Spot price cents per pound	Volume of trading	Open contracts	Spot price cents per pound
1963						
Jan. 2.....	58	2,093	6.62	916	5,183	4.80
Jan. 3.....	204	2,050	6.62	1,521	5,081	4.85
Jan. 4.....	184	1,922	6.62	1,016	5,314	4.90
Jan. 7.....	233	1,998	6.15	961	5,265	5.00
Jan. 8.....	342	2,084	6.63	1,536	5,307	5.25
Jan. 9.....	62	2,082	6.70	1,507	5,434	5.25
Jan. 10.....	70	2,108	6.70	1,457	5,521	5.25
Jan. 11.....	130	2,224	6.70	1,983	5,642	5.25
Jan. 14.....	173	2,344	6.72	1,417	5,647	5.35
Jan. 15.....	233	2,481	6.72	1,342	5,591	5.45
Jan. 16.....	242	2,545	6.72	1,143	5,592	5.45
Jan. 17.....	206	2,645	6.72	889	5,736	5.45
Jan. 18.....	128	2,730	6.72	1,339	6,003	5.45
Jan. 21.....	270	2,870	6.72	968	6,189	5.60
Jan. 22.....	159	2,903	6.72	759	6,286	5.60
Jan. 23.....	276	2,979	6.72	973	6,353	5.70
Jan. 24.....	173	3,028	6.72	1,269	6,419	5.70
Jan. 25.....	304	3,043	6.72	846	6,336	5.70
Jan. 28.....	110	3,019	6.72	2,028	6,617	5.75
Jan. 29.....	430	2,896	6.72	2,098	6,365	5.75
Jan. 30.....	595	2,644	6.72	1,383	6,185	5.75
Jan. 31.....	295	2,951	6.72	1,686	6,382	5.85
Total.....	4,877	(1)	6.70	29,037	(1)	5.41
Feb. 1.....	265	3,091	6.72	1,072	6,332	5.90
Feb. 4.....	523	3,156	6.72	875	6,378	6.00
Feb. 5.....	606	3,240	6.72	1,231	6,421	6.00
Feb. 6.....	478	3,303	6.72	1,234	6,333	6.00
Feb. 7.....	692	3,742	6.72	856	6,301	6.05
Feb. 8.....	852	4,115	6.72	149	6,491	6.05
Feb. 11.....	304	4,140	6.75	1,022	6,257	6.05
Feb. 13.....	1,160	4,475	6.75	1,261	6,202	6.05
Feb. 14.....	710	4,815	6.79	1,123	6,107	6.05
Feb. 15.....	406	4,678	6.80	921	6,329	6.05
Feb. 18.....	92	4,695	6.80	545	6,470	6.05
Feb. 19.....	436	4,940	6.80	959	6,421	6.05
Feb. 20.....	628	5,022	6.82	1,134	6,572	6.05
Feb. 21.....	244	5,079	6.85	1,172	6,683	6.05
Feb. 25.....	978	5,501	6.90	2,097	6,442	6.20
Feb. 26.....	361	5,537	6.90	1,604	6,429	6.20
Feb. 27.....	655	5,763	6.92	1,478	6,463	6.20
Feb. 28.....	110	5,821	6.92	1,487	6,383	6.20
Total.....	9,590	(1)	6.80	21,020	(1)	6.06
Mar. 1.....	263	5,809	6.90	1,703	6,434	6.28
Mar. 4.....	420	5,852	6.90	576	6,574	6.28
Mar. 5.....	143	5,812	6.90	884	6,503	6.28
Mar. 6.....	261	5,764	6.90	791	6,543	6.28
Mar. 7.....	629	5,559	6.87	867	6,570	6.32
Mar. 8.....	166	5,562	6.85	1,602	6,632	6.15
Mar. 11.....	48	5,552	6.85	1,322	6,506	6.20
Mar. 12.....	59	5,537	6.85	690	6,450	6.20
Mar. 13.....	51	5,624	6.85	1,076	6,487	6.25
Mar. 14.....	185	5,596	6.85	2,171	6,342	6.35
Mar. 15.....	137	5,611	6.90	1,242	6,420	6.35
Mar. 18.....	134	5,644	6.90	1,246	6,510	6.45
Mar. 19.....	1,173	5,893	7.00	1,829	6,378	6.55
Mar. 20.....	595	5,730	7.00	2,982	6,512	6.70
Mar. 21.....	859	(2)	7.15	3,015	(2)	6.95
Mar. 22.....	640	5,911	7.15	2,049	7,366	7.10
Mar. 25.....	979	6,190	7.47	1,935	7,513	7.40
Mar. 26.....	606	6,230	7.40	2,687	7,667	7.40
Mar. 27.....	332	6,289	7.40	2,608	7,794	7.40
Mar. 28.....	371	6,253	7.50	2,004	7,860	7.25
Mar. 29.....	1,007	5,793	7.25	2,765	7,817	6.90
Total.....	9,058	-----	7.04	36,103	-----	6.62

*Sugar futures: Daily volume of trading and open contracts, in domestic contract No. 7, and world contract No. 8, and spot sugar prices, New York Coffee & Sugar Exchange, Jan. 2, 1963, to May 31, 1963—Continued*

[Contracts of 112,000 pounds each]

Date	Domestic contract No. 7			World contract No. 8		
	Volume of trading	Open contracts	Spot price cents per pound	Volume of trading	Open contracts	Spot price cents per pound
1963						
Apr. 1.....	586	5,961	7.35	1,956	8,070	6.90
Apr. 2.....	688	6,085	7.65	2,315	8,139	7.25
Apr. 3.....	442	6,034	7.68	2,257	8,250	7.25
Apr. 4.....	457	6,081	7.68	1,814	8,339	7.35
Apr. 5.....	240	6,240	7.65	1,676	8,252	7.45
Apr. 8.....	283	6,387	7.75	1,450	8,291	7.55
Apr. 9.....	477	6,416	7.75	1,260	8,282	7.50
Apr. 10.....	124	6,460	7.75	1,146	8,293	7.50
Apr. 11.....	1,058	6,527	7.90	2,083	8,342	7.50
Apr. 15.....	1,305	7,135	8.30	1,427	8,319	7.70
Apr. 16.....	1,079	7,432	8.30	1,330	7,919	7.70
Apr. 17.....	856	7,278	8.25	1,287	7,978	7.70
Apr. 18.....	1,001	7,666	8.30	1,212	8,260	7.70
Apr. 19.....	1,056	7,929	8.50	1,937	8,359	7.70
Apr. 22.....	418	8,051	8.55	1,389	8,379	7.70
Apr. 23.....	654	8,156	8.75	1,018	8,381	7.80
Apr. 24.....	913	8,290	8.80	1,518	8,421	7.80
Apr. 25.....	991	8,630	8.95	1,441	8,442	7.90
Apr. 26.....	1,064	9,002	9.05	1,411	8,475	8.00
Apr. 29.....	2,142	9,349	9.30	2,307	8,556	8.30
Apr. 30.....	924	9,342	9.62	1,921	8,547	8.50
Total.....	16,758	-----	8.26	34,155	-----	7.65
May 1.....	922	9,675	7.78	1,474	8,018	8.50
May 2.....	976	9,796	9.78	1,553	8,821	8.50
May 3.....	974	10,095	9.35	2,083	9,113	8.50
May 6.....	333	10,033	9.35	1,118	9,135	8.50
May 7.....	884	10,088	9.70	2,287	9,039	8.90
May 8.....	504	9,944	9.70	1,635	8,832	9.05
May 9.....	1,050	9,938	9.90	2,360	8,984	9.35
May 10.....	933	9,979	10.40	2,555	9,161	9.70
May 13.....	328	10,072	11.00	1,803	9,149	10.20
May 14.....	1,040	10,103	10.90	2,352	9,313	9.90
May 15.....	1,301	9,741	11.25	2,254	9,299	10.25
May 16.....	746	9,749	11.50	680	9,297	10.75
May 17.....	1,245	10,087	12.05	2,516	9,496	11.10
May 20.....	1,084	10,179	12.30	1,934	9,643	11.60
May 21.....	1,432	10,137	12.78	1,352	9,921	12.10
May 22.....	722	10,297	13.20	526	9,986	12.60
May 23.....	748	10,401	13.20	2,098	10,133	13.60
May 24.....	120	10,241	12.70	113	10,146	12.10
May 27.....	109	10,247	11.80	187	10,088	11.60
May 28.....	48	10,227	11.60	231	10,098	11.10
May 29.....	170	10,186	11.05	867	9,923	10.60
May 31.....	487	-----	10.50	999	-----	10.40
Total.....	16,156	-----	11.08	32,977	-----	10.36
June 3.....	379	-----	9.80	251	-----	10.15

<sup>1</sup> Average.

<sup>2</sup> Not available.

Source: Daily market report, New York Coffee & Sugar Exchange, Inc.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. Mr. Chairman, thank you.

The Senator from Arkansas has asked most of the questions that I intended to ask. I wanted to compliment Mr. Murphy and Mr. Myers for the truthfulness of their statements which, as I understand, indicate that the introduction of the global quota is not a cause for the recent price increases, that the global quota has been fulfilled to a much greater extent than the country quotas, and for part of the year and for a part of the imports, it had netted the Treasury approximately \$39 million, as I understand it, which was the substance of your testimony on these points; am I correct?

Mr. MURPHY. The \$34 million came in during the last half of 1962. Senator.

Senator DOUGLAS. Thank you.

I would like to ask this question—do you know if there is any connection between the sugar refineries in this country, particularly the Atlantic coast refineries, and foreign producers and owners of foreign mills, and whether there is any common ownership, interlocking boards of directors, or the like?

Mr. MURPHY. I have no actual knowledge.

Senator DOUGLAS. Could you secure knowledge?

Mr. MURPHY. I am sure we could; I am sure we could. It may be—

Senator DOUGLAS. Would you try to prepare for this committee a report of possible connections between sugar refineries in this country and foreign producers and owners of the foreign sugar mills?

Mr. MURPHY. We will be glad to see what we can secure on that for the committee.

Senator DOUGLAS. Mr. Myers?

Mr. MYERS. I might say, Senator, that anything we have on such data would be most incidental and certainly not complete.

Senator DOUGLAS. I understand. But we would like to get such information as there is because it is very hard to follow this up.

Mr. MYERS. I do not know whether we have the authority; do we, Mr. Bagwell, under the act to ask for such information?

Mr. BAGWELL. Well, we have authority to ask only for information which the Secretary considers necessary to enable him to administer the Sugar Act.

Senator DOUGLAS. That is the question I want to ask you. Do you regard this as information which would help you to administer the act?

Mr. BAGWELL. I would not like to say at this moment.

Senator DOUGLAS. I would say this—I think this is essential, and I hope very much that the Department of Agriculture will judge it so. I believe that hitherto the Department of Agriculture has had an extremely good record in these matters. I would hate to see you stub your toe and fall from grace at this late hour.

Mr. MURPHY. Well, we value your good opinion very highly, Senator.

I do say, it occurs to me offhand, that this would be most directly related to legislation, and we will consider whether or not it seems to us to be properly related to the administration of the act. I do say it is not so apparent on the face of it.

Senator DOUGLAS. How can Congress get this information unless through you?

Mr. Chairman, if they won't furnish the information, I am going to move that this committee make its own investigation of this matter because I have been puzzled by a number of developments, by the failure of many of the big refining companies to protest against the extra price that American consumers are being forced to pay.

I wondered whether there was some connection between ownership or some relationship that the semiraw sugar from other countries had which are refined at the Atlantic coast refineries—

Mr. MURPHY. One of the reasons we have welcomed this investigation by this committee is we thought it might be able to get informa-

tion that we could not get in the Department. We will be glad to try to do our part of this job and get the information we can get, and the information we cannot get—

Senator DOUGLAS. Will you let us know within 3 days whether you can do this or whether you won't do it?

Mr. MURPHY. We will.

Senator DOUGLAS. Very good. All right.

Mr. Chairman, is that acceptable to you?

The CHAIRMAN. All right.

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., June 12, 1963.

HON. HARRY FLOOD BYRD,  
Chairman, Committee on Finance,  
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to a request of Senator Douglas of your committee that the Department obtain and furnish to the Committee on Finance of the U.S. Senate a report regarding any connections which may exist between cane sugar refiners in this country and foreign producers of sugar crops and owners of raw sugar mills.

We are requesting this information from individual cane sugar refiners in this country and a report will be submitted to the committee promptly upon receipt of such information from the refiners.

Sincerely yours,

JAMES L. SUNDKUIST.

Senator DOUGLAS. Now, I want to ask a very minuscule question. What limitations are there upon the refining of sugar in Puerto Rico?

Mr. MYERS. Puerto Rico refines sugar for its local consumption, of course. That runs around 120,000 tons a year, and also, if memory serves me correctly, has a quota to sell us refined sugar in the continental United States now of 147,000 tons. It was 126,000 for many years, and then it was gradually increased.

Senator DOUGLAS. How much sugar does Puerto Rico send to the United States?

Mr. MYERS. Its quota is 1,140,000 tons, but we have had to declare a deficit against it because it is not filling its quota.

Senator DOUGLAS. If it fulfilled its quota then of approximately 1 million of these tons would have to be refined in the United States?

Mr. MYERS. That would be correct, yes.

Senator DOUGLAS. Isn't this a remnant of mercantilism; they are making the colony the producer of raw materials, and the manufacture and fabrication confined to the mother country, so-called. Isn't this mercantilism, Mr. Myers, or Mr. Murphy?

Mr. MYERS. Senator, I did once upon a time study economics in a very limited way, but I certainly would not want to pit my judgment as an economist against one of your authority.

Senator DOUGLAS. Well, now, Mr. Myers, you are much more of an intellectual than you are pretending. Don't you know that this was the historic policy which Great Britain followed with the colonies, Mr. Myers?

Mr. MYERS. I believe I have heard that.

Senator DOUGLAS. And wasn't this one of the causes of the American Revolution? Isn't that true that we objected to being forced merely to produce raw materials, and allow Great Britain to do the manufacturing? Wasn't this one of the causes of the American Revolution?

Mr. MYERS. I believe that was one of the arguments.

Senator DOUGLAS. Do you blame the Puerto Ricans if they object to this?

Mr. MYERS. Senator, I think the Puerto Rican industry has been generally agreeable. Some of them felt they would fare better fighting for larger raw quotas than to fight on this matter of principle on refined sugar.

Senator DOUGLAS. Are you proposing to tell the Puerto Ricans what they should do?

Mr. MYERS. Senator, insofar as I am aware, the executive agencies of the U.S. Government have not entered into this since the act was amended to permit Puerto Rico to fill a larger share of its quota with refined sugar.

Senator DOUGLAS. Aren't you aware, Mr. Myers, of the fact that the Governor of Puerto Rico, Mr. Muñoz-Marín, has requested as one of the conditions of a permanent agreement with Puerto Rico that Puerto Rico should have the right to refine its own sugar?

Mr. MYERS. I do know that Governor Muñoz-Marín has at times emphasized—

Senator DOUGLAS. Not only at times; do you know he is emphasizing this at present?

Mr. MYERS. I have not followed his discussion.

Senator DOUGLAS. If you will read the New York Times for this morning you will see a direct statement to that effect.

Mr. MYERS. I shall be delighted to get hold of the Times.

Senator DOUGLAS. I will clip it out of the Times, if necessary, and furnish it to you.

Mr. MYERS. I will say it is typical of the Governor's position on that.

Senator DOUGLAS. Don't you think there that that would be a wise thing for us to do? This is one of the complaints which feed the revolutionaries in Puerto Rico.

Mr. MYERS. Senator, you are asking me, in effect, to criticize a decision of the act of Congress. On this particular point I would rather let you, as a Member of Congress, discuss that.

Senator DOUGLAS. My good and witty friend from Minnesota has said this morning you have been defending the past acts of Congress. Do you only praise past acts but never advise about future legislation? [Laughter.]

We depend upon you for advice, Mr. Myers.

Mr. MYERS. Well, frankly, I think this point here is such a simple point that the Congress could clearly make up its own decision on whether it wants to or not.

Senator DOUGLAS. You would not offer any advice to us as to how we should do it?

Senator McCARTHY. It is simple enough for us. [Laughter.]

Senator DOUGLAS. It is simple enough for us but too complicated for you?

Mr. MYERS. There we are getting into a category—

Senator WILLIAMS. Will the Senator yield? I can understand Mr. Myers' embarrassing position, and in fairness to him I would like to point this out—he was a stalwart in favor of a position which I think the Senator from Illinois took and which our committee took, I do not think he knows what happened any more than I did when the administration made a complete flop that night. I doubt if he is in position

to say that, but I do not think he understood any more than I did what happened over there in a little interval of 30 minutes. [Laughter.]

Senator DOUGLAS. I was not only way out in right field, but outside the ball park when that happened.

Senator WILLIAMS. I was in the ball park, but apparently they played a game on the outside somewhere.

Senator DOUGLAS. Mr. Chairman, those are all the questions I want to ask, except to say that I am for freedom of trade not merely in sugar but in coffee and in cocoa as well, and I think when the coffee and cocoa provisions come down to us we should scrutinize them very carefully.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Secretary, I come from a State that produces sugarbeets, and we have a great producing area, and during the debate and discussion on the enactment of this legislation, which has been discussed this morning, there was some of us who were greatly concerned about increased sugarbeet acreage and sugarbeet refining in this country.

I just want to develop what has happened. What was our sugarbeet acreage in 1960? You have the figures there. What was the sugarbeet production in the Nation? I am not speaking of Kansas, I would just like to take the sugarbeet-producing area.

Mr. MYERS. I will look for it.

Mr. MURPHY. Mr. Myers is going to see if he does have that acreage, Senator. I do not have it.

Sugarbeet acres, planted average 1955 through 1956, 1959 to 1960, 889,000 acres for a 5-year average. That is a 5-year average prior to the 1959-60 year. Then we have it year by year after that.

It is 979,000 for 1960-61; 1,146,000 for 1961-62; 1,195,000 for 1962-63; 1,272,000 for 1963-64; 1963-64 is based on a report of intentions to plant as reported by the Crop Reporting Board of the Department of Agriculture.

Senator CARLSON. On that same table which you have there, which you were kind enough to let me have here, a copy of it, I notice the 5-year average of production, 1955 through 1960 was 2,086,000 tons.

Mr. MURPHY. That is correct.

Senator CARLSON. In 1960, the production in 1960-61 was 2,475,000 tons. In 1961-62 it dropped back to 2,431,000 tons. How did that occur? Instead of going down why didn't the production of beet sugar go up in 1961-62 over 1960-61?

Mr. MURPHY. It was a lower average yield per acre, Senator. I do not know what cause that was attributed too; likely to the weather.

Senator CARLSON. In 1962-63, 2,580,000 tons.

Of course, the acreage, I notice, is up some. Do you have it by States? I do not want to get into all the States, but I just wondered what happened in Kansas.

As I understand it, Mr. Secretary, there is no limitation on sugarbeet production in this Nation at the present time, acreage?

Mr. MURPHY. That is correct.

Senator CARLSON. The limitation, of course, comes from refineries; is that correct?

Mr. MURPHY. From processing plants and refineries.

Senator CARLSON. Processing plants and refineries.

Mr. MURPHY. The grower, as a practical matter, is limited by the market that is available to him, and if there is no processing plant

that will buy his beets, why, there is a practical limitation on his production.

Senator CURRIS. There is also the very practical problem that a temporary lifting of acreage controls involves the risk of a conversion to a new crop, and certain mechanization that someone may want to raise beets, but it is quite impractical for them to go into it on an emergency basis; isn't that correct, sir?

Mr. MURPHY. That is true, and I think equally, perhaps even more important, is the problem—

Senator CURRIS. Distance from refining.

Mr. MURPHY. The problem of the person who might build and operate the mill, who is making the capital investment, he cannot make a capital investment unless he has some assurance over a relatively long time, and it is true, although the relative proportions of this year's crop are 64 or 65, both producers and mills have the problem of what the situation will be after 1965.

Senator CARLSON. Senator Curtis raised a point that I was getting to. As a matter of fact, based on your figures here from 1962 to 1963, which is 1,195,000 planted acres to 1,272,000 estimated acres for 1963-64, there is a differential of 77,000 acres.

Now, that is limited, is it not, by the amount of processing plants or processing refineries that can take care of the sugarbeet acreage; is that correct?

Mr. MURPHY. As a practical matter, there is that kind of limitation. I think it varies from one place to another. There are some processing plants that have additional capacity that can be utilized.

There are some processing plants that can add additional capacity and increase that capacity by modernization.

We believe a substantial amount of this kind of activity will take place this year.

Senator CARLSON. Is it not true that there are areas of where substantial increases in sugarbeet production could be and would be made if the Department would give them permission to construct sugar-processing plants, plus an assurance of a continued beet acreage?

Mr. MURPHY. Well, if they could be given such assurance by someone—the Department of Agriculture, I think, has no authority to give any such assurance.

Senator CARLSON. Does not the Department of Agriculture, based on the law that we passed last year, allocate areas or at least authorize the construction of sugarbeet-processing plants?

Mr. MURPHY. Within limits this was permitted, of enough to allow one additional plant each year, and an extra additional plant each 3 years, as I recall; and these allocations, several of them have been made, as I recall, through the authorization for 1965, and this is the limit of the authority that the Department of Agriculture has, which has been pretty well used up.

Judging from the applications that we receive there must be the ability to produce a substantially larger amount of beet sugar in this country, if assurances could be given that it could be produced and marketed.

Senator CARLSON. Well, the Department, of course, has allocated these areas or these places where these plants are to be built in order that there be additional sugarbeet production and additional beet sugar.



Mr. MURPHY. Yes, sir; within the limits of the law passed last year by Congress.

Senator CARLSON. That is correct.

Mr. MURPHY. You will recall there was a lot of consideration given to the question of how the U.S. market would be divided between domestic production and imports and, in turn, the beet sugar production in this country, and the rate that would be allowed for expansion.

As I remember it, the part of the market that was reserved, the growth factor, so-called, was somewhat larger than the share of the original or basic market.

Senator CARLSON. Mr. Secretary, I am somewhat familiar with that particular part of the legislation because I was not satisfied with the amount of acreage or the amount of mills that you folks were permitted to authorize, and I think this proves a point that now here we are confronted with a situation in the world which, I think, that we would have an opportunity as a nation to produce additional sugar and should be permitting our people to get more, get into a position to take care of their needs more on a local basis than to be dependent on country quotas.

Mr. MURPHY. We certainly have the capability to produce additional sugar, and I believe that present prices, at the normal range of prices, from 6 to 7 cents a pound for the raw sugar, that additional sugar would be produced in the United States if permanent assurances could be given that it could be produced and marketed.

Senator CARLSON. I cannot be critical of the Department because I think you have taken care of your part of the law that we passed last year. But I still think it falls far short of what we should have done as a nation to take care of our future sugar needs in this country, and I am hoping that sometime we can get this situation adjusted a little.

Mr. MURPHY. This may well lead to a reexamination of the question of how much of our sugar we should try to get produced domestically. We would not be prepared at this time to make a recommendation on that.

I can only say that we think it is very fortunate that we do produce at least as much as we do, some 60 percent. We are awfully glad we have that now.

Senator CARLSON. I want to just dwell on one other phase of this, then I shall be through, Mr. Chairman.

For some, well, at least during the passage of the past two sugar acts. I have tried to get into the law that we give preferential consideration to these countries that would buy surplus food commodities from this Nation and take in return sugar. I was never able to get that word "special" preferential into the legislation, but the State Department, and I think I know what I am talking about, finally consented to the words "special consideration."

What is our situation in regard to trading or exchanging surplus food commodities for sugar with several countries?

Mr. MURPHY. Senator, I would have to say, in frankness, we think that provision complicated the present situation in the supply and demand situation that we had in this particular case, and it added somewhat to our difficulties.

Last December, when we first made a part of the global quota available to foreign countries, we did, in the announcement, say that we

would give a preference to countries that would agree to use part or all of the proceeds for the purchase of U.S. commodities.

This meant that before we could commit the global quota, this part that had been opened up, we had to get at least a reasonable opportunity for countries to indicate, decide to indicate, whether they would do this.

We did not give very long—actually I do not remember, maybe 10 days—but we got only a limited number of offers at that time to import sugar under those terms, and they did.

In the case of Brazil, as I recall, they offered to send some sugar in under the global quota and earmark all of the proceeds for the purchase of U.S. agricultural commodities.

One other country, I do not remember now which one, offered to earmark a part of the proceeds, and a third country offered to earmark none of the proceeds.

Well, since the total offers were not as much as the sugar that we had made available, we decided, I think that at least a part of the offer of those countries should be accepted, we decided to accept it.

As the situation developed, it became more apparent that the supply of sugar in the world was tight, and the world price was rising, and we felt that in order to obtain the needed supplies which we considered, we generally agreed, would be our overriding obligation, that we had to agree to accept offers to bring in global quota sugar without agreement to purchase some of the U.S. agricultural commodities.

I think that this again is one of the phases of this that all of us should reexamine in the light of this experience this year.

Senator CARLSON. Are you familiar with the offer that was made by Brazil to exchange a very substantial tonnage of sugar for wheat about 2 years ago?

Mr. MURPHY. Only very vaguely. I have heard it mentioned. I never had any occasion to actually work on it or go into it in any detail, Senator. At that time my duties did not involve working on this proposal.

Senator CARLSON. I can state very definitely that I am somewhat familiar with it. It was offered and submitted to the State Department, and they refused to act on it.

Mr. MURPHY. Mr. Myers may have some worthwhile comments.

Mr. MYERS. Senator Carlson, I worked on that particular allotment. It was June 1, 1961, if memory serves me correctly. There was discussion of an offer from Brazil. There was even a draft of a proposed offer that we received. We never did receive a final offer.

The Brazilians talked to us about it, and about their whole problem. They never did submit it.

I understand, I was not present, but I have been told, that a representative of the State Department testified at an executive hearing before the House Agriculture Committee that he had said it was not essential. Whether that is correct or not, I do not know, but I do know that the offer never did come through. We had no offer before us when we took our action of June 1, 1961.

Senator CARLSON. Does the Department make any effort to trade some of our surplus agricultural commodities for sugar?

Mr. MYERS. Senator, as the Under Secretary pointed out, we did hold back last fall, and when we announced what we expected to do in the way of establishing quotas in late November, and announced at that time that we would receive offers on the so-called barter arrange-

ment until December 20, as the Secretary pointed out, we received, I think, three offers, one from Brazil for 100 percent; one from the Dominican Republic, if I remember correctly, for 10 percent; and another one for no barter at all.

As you will remember, and this was the difficulty that we got into, the world price rose and, therefore, the \$1.40, 100-pound import fee went out of adjustment by December 20. It is typical of the difficulties one gets into in having to first stop for barter.

Under our program since then, we have made it clear to every offeror of sugar under the global quota, and also under the Western Hemisphere reallocation quota, that we would give special consideration to any proposals to supply us agricultural commodities.

We would give, in other words, a preference, and we have received none and, by the way, it was not the State Department but I who asked that that word not be "preference" but "special consideration," because we could administer special consideration.

The word "preference" is absolute, and it would have led to innumerable administrative difficulties.

Senator CARLSON. Mr. Myers, I remember that discussion very well and I of course wanted to make it very preferential myself, and I did discuss it personally with the State Department.

You may take the credit for it, but I had visited with them, I know their views on it.

Mr. MYERS. I am sure of their views, but I wanted no credit but responsibility for an action which I know you disagree with.

Senator CARLSON. That is right.

My only point is this, and I can readily understand Brazil or any other exporting country at the present price of sugar as not being concerned about trading. But there may well have been time when we might well have disposed of agricultural products in trade in order to get some commodities we need.

In conclusion, I was interested in just this note here in regard to the amount of food we are contributing to the world today. Food-for-peace shipments set a record in March. Of course, Mr. Murphy is in this field. There was a total of 1,417,000 metric tons of food shipped in March under the food-for-peace program. The estimated value was \$127 million. This is the highest for any month since the program began 8 years ago.

It seems to me, Mr. Chairman, that here is an opportunity where we should at least try to get some advantage on trades for sugar and articles of consumption that we need for our people.

I hope, Mr. Secretary, you will keep this in mind because, as one Member of this Congress, I am getting concerned about the ever-increasing amount of dollar Federal aid we have, or foreign aid that we have, and I think here is an opportunity to be of real service.

Mr. MURPHY. Let me say I quite agree with the sentence that the Senator has just expressed. I think one thing that we should take a much harder look at, not immediately but when the supply of sugar eases again, is the possibility of exchanging some of our inventories of wheat or other commodities for inventories of sugar which might be held as a stabilization reserve. This obviously would be the wrong time to do this kind of thing, but before long probably there will be a time again when sugar is relatively plentiful, and we might give serious thought to that, I think, probably.

Senator CARLSON. There was a time when we could have.

Mr. MURPHY. That is correct.

Senator CARLSON. That is all, Mr. Chairman.

Thank you.

The CHAIRMAN. Senator McCarthy?

Senator McCARTHY. Mr. Chairman, I submitted a set of questions to the Under Secretary last week, and he has submitted his answers. I would like to have them, with his permission, inserted in the record.

Mr. MURPHY. We would be very happy to do so, Senator.

(The documents referred to follow:)

MAY 20, 1963.

HON. CHARLES S. MURPHY,  
*Under Secretary of Agriculture,  
Department of Agriculture,  
Washington, D.C.*

DEAR CHARLIE: I have in mind to ask some questions in this general area when you appear before the committee on Thursday of next week. I thought it might be helpful to both of us if I indicated in advance what my intentions are:

1. When the sugar legislation was under consideration last year in what amounts did the various countries request a share of the foreign quota?

2. Did the allocations conform to their request?

3. What amounts of the global quota of sugar have been supplied by these countries or what amounts are they committed to supply during the rest of this year?

4. Have any of the countries that have committed themselves to provide sugar under the global sugar quota offered to provide amounts significantly in excess of what they sought in the way of a national quota last year? If so, what is the explanation of it—expanded acreage or increased production or the possibility that they might transship Cuban sugar or meet their own needs with Cuban sugar while shipping their own production to us?

5. What other countries in the world sugar market compete with us for sugar?

6. What prices are they paying and are they likely to pay and from whom is the sugar which they may buy likely to be supplied?

7. How much money has been collected under the recapture clause of the Sugar Act up to now and how do you expect the cost of sugar purchased outside of the United States this year to compare with the cost of sugar purchased last year?

Finally, be prepared to explain why the Senate was asked to approve the International Coffee Agreement at the same time that under the sugar program, at least in my judgment, we are setting up a program which runs contrary to the objectives set forth in the coffee agreement authorization.

Sincerely yours,

EUGENE J. McCARTHY.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE UNDER SECRETARY,  
*Washington, D.C., June 5, 1963.*

HON. EUGENE J. McCARTHY,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR: Attached are the answers to the questions regarding sugar which you sent to me in your letter of May 20, 1963. I hope we have answered them to your satisfaction.

Sincerely yours,

CHARLIE.

1. When the sugar legislation was under consideration last year in what amounts did the various countries request a share of the foreign quota?

Generally, when sugar legislation was under consideration last year, the foreign countries did not inform the Department as to the share of the foreign quota that they desired.

The attached table sets forth the basic quota and the apportionment of the withheld Cuban quota to each of the foreign countries in the bill amending the Sugar Act which was passed by the House last June. That bill assigned all sugar imports to individual countries. Also shown is the total import entitlement that each country would have had for 1963 had the House bill been enacted, calculated at the current level of consumers' requirements of 10.4 million tons and the current deficits of domestic areas.

*Sugar import commitments compared with import entitlements under House bill, by countries, calendar year, 1963*

[Thousand short tons]

	House-passed bill				1963 sugar quotas				Excess of—	
	Quota	Nonquota Cuban reserve	Total	Total converted	Basic country quota	Global quota charges	Deficit reallocation	Total	1963 quotas over House-passed bill	House-passed bill over 1963 quotas
With requirements at.....	9,700,000 tons			10,400,000 tons <sup>1</sup>	10,400,000 tons <sup>1</sup>					
Philippines.....	1,050	150	1,200	1,450	1,050		158	1,208		242
Dominican Republic.....	200	150	350	431	336	202	67	605	174	
Peru.....	200	150	350	431	306	212		418		13
Mexico.....	200	150	350	431	206	24	116	346		85
Brazil.....	190	150	340	417	196	281		477	60	
British West Indies.....	100	150	250	297	88		46	144		153
Australia.....	50	150	200	230	43	175		218		12
China.....	45	150	195	224	28	36		74		150
French West Indies.....	40		40	54	33	66		99		
Colombia.....	35		35	47	33	46		79	46	
Nicaragua.....	30		30	40	37	15		52	33	
Costa Rica.....	30		30	40	37	7		44		
Ecuador.....	30		30	40	37	28		65	15	
India.....	30	100	130	149	22	102		124		99
Haiti.....	25		25	33	22	12		34	9	
Guatemala.....	20		20	27	22	19		41	20	
South Africa.....	20	100	120	136	22	111	6	133		9
Argentina.....	20		20	27	20	217		237	210	
Panama.....	15		15	20	16			16		4
El Salvador.....	10		10	13	11		2	20		
Paraguay.....	10		10	13	11	7		18		
British Honduras.....	10		10	13	11			11		
Fiji Islands.....	10		10	13	11			11		
Ireland.....					10	24		35	23	
Belgium.....								10	10	
France.....						8		8	8	
Reunion.....						24		24	24	
Southern Rhodesia.....						10		10	10	
Mauritius.....	10	100	110	122	11	11		11	11	
Turkey.....						67		67		55
Venezuela.....						7		7	7	
Netherlands.....	10		10			12		12	12	
Residual (not allocated).....								72	72	
Total.....	2,390	1,500	3,890	4,698	2,498	1,726	474	4,698	750	749

<sup>1</sup> And domestic deficit reallocations of 561,537 tons.

## 2. Did the allocations conform to their request?

We cannot say precisely, since we do not know the amounts of the requests.

However, with a few exceptions, the final quotas for individual countries were lower than those in the House-passed bill. If we assume the country requests were at least as large as the quotas approved by the House, it is clear the allocations were less than desired in the case of every major producing country.

The table compares the final quotas with those contained in the House-passed bill.

## 3. What amounts of the global quota of sugar have been supplied by these countries or what amounts are they committed to supply during the rest of this year?

The same table shows for the current year (a) the basic quotas of each country, (b) the global quota that each has subscribed to, (c) the deficits reallocated to the Republic of the Philippines and to countries of the Western Hemisphere which have subscribed to quantities from the deficit pool, and (d) the total importation made or in sight from each country.

The final column of the table shows that 13 countries have not committed themselves to ship as much sugar to the United States this year as would have been guaranteed to them by the House-passed bill. In most instances, this appears to be due to a lack of ability.

## 4. Have any of the countries that have committed themselves to provide sugar under the global sugar quota offered to provide amounts significantly in excess of what they sought in the way of a national quota last year? If so, what is the explanation of it—expanded acreage or increased production or the possibility that they might transship Cuban sugar or meet their own needs with Cuban sugar while shipping their own production to us?

The following quantities of sugar are committed to be supplied this year from the indicated countries in excess of the import entitlements established under the House bill:

	Tons		Tons
France.....	24, 000	Nicaragua.....	2, 000
Reunion.....	10, 000	Ecuador.....	15, 000
Southern Rhodesia.....	11, 000	Haiti.....	8, 000
Turkey.....	7, 000	Guatemala.....	20, 000
Venezuela.....	12, 000	El Salvador.....	7, 000
Ireland.....	10, 000	Fiji.....	22, 000
Argentina.....	210, 000	Belgium.....	8, 000
Dominican Republic.....	174, 000		
Brazil.....	60, 000	Total additional sugar	
French West Indies.....	46, 000	for U.S. market.....	678, 000
Columbia.....	32, 000		

The first 6 countries listed, which together are supplying 74,000 tons of sugar for our market this year, did not have quotas assigned under the House bill and most of them had not sought quotas. As it happens, this year they had sugar available for us; in other years, they may have more or less or none.

Argentina, which is supplying 210,000 tons more sugar than the 27,000 tons assigned under the House bill, is enjoying a rebound from a disappointing crop the previous year (1961-62).

The Dominican Republic, in committing 174,000 tons of sugar in excess of the quantity assigned under the House-passed bill, is actually supplying 250,000 tons less sugar than last year. Its crop this year has been disappointing but it is holding down shipments to other markets in order to make good on its commitments to the United States.

Brazil is committing virtually all of its exports to the United States. It has committed 60,000 tons more than the quantity assigned under the House bill even though its crop is more than 10 percent below trend.

Eight other countries are supplying 160,000 tons in excess of the amount assigned to them in the House bill. There are a variety of reasons. We have no evidence or knowledge, however, that the transshipment of Cuban sugar made possible the export of any sugar to the United States.

The production of sugar, like all crops, is difficult to forecast—weather is good here and bad there. It is inevitable that the relative ability of a large number of countries to supply a very large market must vary from year to year.

The 678,000 tons of sugar committed by 18 countries in excess of the quotas assigned to them in the House bill represents one-seventh of all our sugar imports, or 7.5 percent of our total sugar requirements this year.

## 5. What other countries in the world sugar market compete with us for sugar?

The world imports of sugar total about 20 million metric tons per year. The United States, United Kingdom, Japan, Canada, U.S.S.R., and China (mainland) are major world importers, accounting for about 70 percent of the world total. The sources from which these countries obtain their sugar are shown in the enclosed tables. Increased imports into the U.S.S.R. and mainland China since 1950 reflect large shipments of Cuban sugar. East Europe has traditionally been a net exporter of sugar while West Europe has been a net importer.

All sugar-importing countries compete with us for sugar. However, about 65 percent of the total international sugar trade moves under long-term agreements or other preferential arrangements. This trade tends to be insulated from world supplies. Included in this estimate are the quantities of sugar obtained by the United States under the basic country quotas and by the United Kingdom at negotiated prices from members of the Commonwealth Sugar Agreement. Approximately two-thirds of the imports of the United States and the United Kingdom fall in this category. Likewise included are the quantities of Cuban sugar exported to the U.S.S.R. and other bloc countries, under barter.

*World imports of sugar*

[Metric tons]

Country	1960	1961	1962 <sup>1</sup>
United Kingdom.....	2,404,000	2,414,773	2,259,592
Total, West Europe.....	4,438,344	4,147,092	-----
Total, East Europe <sup>2</sup> .....	392,642	580,551	-----
U.S.S.R.....	1,717,244	3,596,890	2,446,123
Canada.....	017,110	689,247	764,746
United States.....	4,440,509	3,988,058	4,257,232
Total, North America.....	5,256,524	4,679,305	-----
Chile.....	151,622	257,854	-----
Uruguay.....	82,953	71,311	-----
Total, Central and South America.....	297,803	376,130	-----
China (mainland).....	476,500	1,633,000	1,200,000
Japan.....	1,278,201	1,305,860	1,375,500
Total, Asia <sup>2</sup> .....	3,061,775	4,985,692	-----
Other.....	1,342,097	1,590,710	-----
World total.....	17,306,459	19,967,270	10,750,000

<sup>1</sup> Incomplete. World total estimated.<sup>2</sup> Excluding U.S.S.R.

Source: Foreign Agricultural Service, U.S.D.A., and International Sugar Council.

*Sugar: Imports of major importing countries, by sources*

## 1961 IMPORTS

[Metric tons—Raw value]

Country of origin	Canada	Japan	United Kingdom	United States	U.S.S.R.	China (mainland)	Other
Argentina.....	-----	23,170	-----	-----	-----	-----	163,402
Australia.....	164,066	96,168	338,003	81,776	-----	-----	155,634
Brazil.....	-----	357,266	21,135	292,467	-----	-----	73,994
Cuba.....	40,026	325,539	102,048	0	3,345,000	-----	2,600,948
Dominican Republic.....	4,311	106,959	230,560	311,614	-----	-----	683,444
Ecuador.....	-----	15,040	-----	32,658	-----	-----	0
India.....	-----	-----	-----	155,089	-----	-----	136,073
Mauritius.....	80,036	-----	364,769	-----	-----	-----	67,829
Mexico.....	-----	-----	-----	612,211	-----	-----	901
Peru.....	-----	2,677	5,117	568,290	-----	-----	1,832
Philippines.....	-----	5,023	-----	1,230,560	-----	-----	0
Poland.....	-----	10,500	99,911	-----	121,425	-----	468,509
South Africa.....	36,492	-----	206,816	-----	-----	-----	53,507
Taiwan.....	-----	351,318	-----	154,254	-----	-----	58,825
West Indies and British Guiana.....	119,018	-----	564,461	241,255	-----	-----	207,481
Others.....	243,798	12,210	481,953	277,848	130,465	-----	1,767,303
Total.....	689,247	1,305,860	2,414,773	3,988,058	3,596,890	1,533,000	6,439,442

*Sugar: Imports of major importing countries, by sources—Continued*

## 1962 IMPORTS

Country of origin	Canada	Japan	United Kingdom	United States	U.S.S.R.	China (mainland)	Other <sup>1</sup>
Argentina.....		8,027		8,885			117,000
Australia.....	169,998	274,319	444,669	145,980			177,387
Brazil.....		20,970		361,671			95,820
Cuba.....	15,678	522,727	123,562	0	2,231,987	937,893	2,244,740
Dominican Republic.....	7,270	8,660	8,120	605,280			10,037
Ecuador.....				60,700			10,000
India.....	107,770			133,887			207,002
Mauritius.....	67,666		409,551				30,723
Mexico.....				361,447			0
Peru.....		0		487,250			0
Philippines.....				1,256,936			0
Poland.....		10,576	131,653		167,954		473,957
South Africa.....	50,191	82,550	188,320	81,815			154,121
Taiwan.....		421,629		102,812			60,559
West Indies and British Guiana.....	268,510		654,662	165,110			335,484
Others.....	67,645	25,427	299,140	273,189	40,182	262,107	3,524,074
Total.....	754,740	1,375,500	2,250,592	4,257,232	2,416,123	1,200,000	7,456,807

<sup>1</sup> Partially estimated.<sup>2</sup> Estimated.

Sources: International Sugar Council, Foreign Agricultural Service, USDA, and International Sugar Council.

6. What prices are they paying and are they likely to pay and from whom is the sugar which they may buy likely to be supplied?

We do not have precise information regarding prices paid by foreign countries for sugar moving under special arrangements. This sugar tends to be insulated from the world market but much of it moves at or near the world price. The principal exceptions are trade within the Communist bloc countries, which is organized on a barter basis, and imports by the United Kingdom under long-term quotas from members of the Commonwealth Sugar Agreement.

The United Kingdom negotiates the price for the major part of its imports under these arrangements a year in advance. Last year the price for 1963 was negotiated at approximately 5½ cents per pound. Japan, another large importer, enters into purchase contracts with a number of supplying countries, some of which cover supplies to be delivered over several years but priced according to market conditions at the time of delivery. The U.S.S.R., which has been taking substantial quantities of Cuban sugar since 1959, acquires such sugar under barter. Castro announced in Moscow last month that the Soviet Union has agreed to pay the world price in the barter transactions but it is difficult to determine what this actually amounts to.

Under fixed-price contracts, some foreign countries—primarily the United Kingdom—have protection against excessive price rises, but the United States has never introduced long-term price provisions in its country quota system. Thus, we have never had price protection when supplies are scarce, except insofar as Cuba voluntarily held prices down for short periods.

The sources of sugar for particular importing countries is indicated on the table.

7. How much money has been collected under the recapture clause of the Sugar Act up to now and how do you expect the cost of sugar purchased outside of the United States this year to compare with the cost of sugar purchased last year?

Collections under the import fee in 1962 amounted to \$34,034,509. In 1963 they are \$3,259,923. The total is \$37,294,432.

The price of sugar at New York, duty paid, for the first 5 months of 1962 averaged 6.42 cents per pound as compared with 7.98 cents for the first 5 months of 1963. Monthly data are shown in the attached table.

So far this year, the world price of sugar has averaged about 7 cents, compared to 2.98 cents last year. The price has fallen from the May average of 10.36 cents, but even assuming that it continues to fall the cost of sugar purchased outside the United States during 1963 as a whole will be well above the cost during 1962.



Finally, be prepared to explain why the Senate was asked to approve the International Coffee Agreement at the same time that under the sugar program, at least in my judgment, we are settling up a program which runs contrary to the objectives set forth in the coffee agreement authorization.

The International Coffee Agreement does not have the same objectives as our domestic sugar legislation. The International Coffee Agreement is designed to check the downward trend in coffee prices prevailing in world markets by establishing export quotas for coffee exporting countries.

The Sugar Act seeks to stabilize and support the domestic price by imposing restrictions upon the total quantities the U.S. market may import and requiring the U.S. importer to pay the domestic price for imports even when those prevailing in the world market are lower. Thus the two cope with different situations and employ different means.

The International Coffee Agreement has many of the same characteristics as the International Sugar Agreement which was renegotiated in 1953 and was in effect for the period 1951 to 1961, inclusive. The export quotas under the International Sugar Agreement expired at the end of 1961, largely because Cuba violated the agreement by exporting far in excess of its export quota. Accordingly, the International Sugar Agreement is now largely inoperative except for statistical and informational purposes. Moreover, since the Sugar Agreement provided that all quotas were to be suspended when prices exceeded 4 cents per pound in the world market, quotas in the International Sugar Agreement would, in any event, have been inoperative at the present time.

Compared to country quotas, the global quota tends to support the world price by channelling U.S. purchases into the world market. On the other hand, it does omit the preferential treatment given to quota countries through the premium price.

Senator McCARTHY. Mr. Secretary, I suppose there is not much point in pursuing this inquiry much longer. I suspect you will insist that if it were not for the program you recommended last year we would be in worse shape than we are. I would continue to insist that we could not be in any worse shape than we are with sugar, and that I think your program contributed to it.

Mr. MURPHY. Senator, in all frankness, I would make some distinction between the program we recommended and the program that Congress finally enacted. I would say that we are awfully glad we have as much global quota as there is in the bill that was finally passed.

Senator McCARTHY. I think we would not be in any worse shape. I think what we got out of Congress were the consequences of that would be just as bad as if we had given you what you asked for in the first place. So far as doing what you recommended, we are about even. I disagreed with both positions myself, and if I can go back to the record, I did—I hesitate to call it prophesy, but I said I suspected you would have great instability in the sugar market as a result of what we did last year, as a result of what you recommended and also as a result of what the Congress did which, I thought, prepared the way in which there could be a genuine Communist advantage drawn from the operation of the sugar market. I said I could not see how this could possibly improve our international relations with Latin America. I also indicated that I thought we were preparing the way for trouble in the domestic sugar program.

I think adjustments are needed, but I think they ought to be orderly and not as the result of the kind of hysteria by people who have suddenly discovered the sugar business.

For 20 years this sugar program was around, and it was not until Castro that 90 percent of the Members of Congress knew there was a program. Through its administration it worked so well that nobody paid any attention to it.

Last year we had new recommendations. I would like to read something. I think it was you who submitted this testimony, and you said:

We are very happy with the results of the program, in the administration. It would increase Treasury receipts about \$122 million a year, to begin with, more as the years will pass. It will improve the U.S. balance-of-payments position; provide better assurance of sugar supplies when and as we need them; avoid discrimination by the United States among various nations with which it has friendly relations.

Now, you think you have really accomplished any of those in whole or in part?

Mr. MURPHY. Yes, sir.

Senator McCARTHY. Which one?

Mr. MURPHY. Well, we did get some additional revenue for the Treasury of the United States.

Senator McCARTHY. You got \$39 million.

Mr. MURPHY. \$37 million.

Senator McCARTHY. \$37 million, all right. On the other hand—

Mr. MURPHY. I do not remember the exact words you read there, but there was something about helping get sugar supplies. We think it has been a vital help in getting sugar supplies.

Senator McCARTHY. Well, that is one with which we disagree, but we are not going to settle that today. That is your position, but I disagree. I do not see how that could have helped it.

Let us talk about the \$37 million. You recaptured that in the first months of the year, did you not?

Mr. MURPHY. And mostly in the last months of 1962.

Senator McCARTHY. Just before the beginning of the year. You do not expect to recapture any more this year, do you?

Mr. MURPHY. Probably not this year.

Senator McCARTHY. What commitments have you made to countries that are now providing sugar under the global quota? Are you going to pay them the world price? There is no premium recapture.

Mr. MURPHY. There will be no import fee.

Senator McCARTHY. So you cannot possibly get anything more back.

Mr. MYERS. That is correct.

Senator McCARTHY. That is correct. How much has it cost us for sugar up to now? You say it would be worse if it were not for your program. So far as the whole question of the balance of payments is concerned, is it going to cost us more in terms of outflow of money this year to buy sugar than it did last year?

Mr. MURPHY. I think it will.

Senator McCARTHY. And the estimate is how much? How much has it cost us for sugar, how much more has it cost us for sugar up to now than it would have cost if we would have been able to purchase all of our sugar supplies at the price we paid on the average last year, between \$100 and \$200 million?

Mr. MURPHY. I would not think it would have been that much so far, Senator; no.

Senator McCARTHY. Mr. Myers, do you have any figures on that?

Mr. MYERS. Senator, I have not tried to compute it. It would not be too difficult a task to compute the difference in cost of what we have imported this year compared with last year. However, I must insist that the observation be made that we have an entirely different world supply and price situation, and would have to pay more under both

global quotas and country quotas. We are not getting sugar cheaper under the country quotas than under the global quota.

Senator McCARRHY. I know you did not, but there is a possibility if you had to assign quotas country by country, with some assurance this would have been continued in the future, there might have been some assurance of getting a lower price. What you said when you came up here last year was that—

we are going to try to get sugar as cheaply as we can in the world market. If we can buy it at 2 cents, that is fine with us, so you boys just shift for yourselves.

So having done that, I do not think you could expect these foreign suppliers to say, "Well, isn't that wonderful. If they have the upper hand on us, they are going to buy sugar from us at depressed prices at 2 or 2½ cents, but if they are in trouble, then they expect us to come in and say, 'We are glad that you are our friends, and you were so nice about everything when you presented this program and told us what your objectives were, and we are going to sell you cheap sugar.'"

Mr. MYERS. Senator, I am sorry, I must accept your basic assumption as fallacious. I do not accept for a moment the proposition that these countries under their country quotas can or would stabilize our market at a half of the world price.

Senator McCARRHY. What happened during the Korean crisis?

Mr. MYERS. That was a very different situation.

Senator McCARRHY. I know.

Mr. MYERS. Then we had Cuba. We were not having to scurry all over the world outside of Cuba. Cuba stabilized it. It was not the country quota per se, but Cuba.

Senator McCARRHY. What happened to prices?

Mr. MYERS. Prices remained relatively stable.

Senator McCARRHY. That is right.

Mr. MYERS. Thanks to Cuba.

Senator McCARRHY. What happened during the Suez crisis?

Mr. MYERS. The same thing, thanks to Cuba.

Senator McCARRHY. You do not think that any other country in Latin America—

Mr. MYERS. No other country in Latin America or anywhere else in the world has the ability. No other country had the ability to sell us twice as much sugar as we needed to import, and they do not have today.

Senator McCARRHY. Well, where are you getting the sugar under the global quota?

Mr. MYERS. We are getting it from all over the world.

Senator McCARRHY. Well, most of it is coming from Latin America and traditional supplier countries that came in.

Mr. MYERS. They were not traditional suppliers, Senator.

Senator McCARRHY. At least they were traditional for 1 year. That is enough tradition for me.

Mr. MYERS. They were not major suppliers until after we stopped taking from Cuba; they were by no means traditional.

Senator McCARRHY. That is right. But the possibilities were there; you did not make an effort to get these countries committed with any kind of long-term proposition.

Mr. MYERS. We do not buy sugar. We did not have state trading in this country. Frankly, I think it is very fortunate we do not.

Senator McCARRHY. We have had country-by-country quotas during the years, and the administration allocated the sugar in 1961.

Mr. MYERS. But the country quotas do not involve contracts or state trading.

Senator McCARRHY. I know it; I know that. But what does the country-by-country quota thing mean?

Mr. MYERS. Cuba that had obtained a huge premium on sugar over the years—

Senator McCARRHY. I know that.

Mr. MYERS (continuing). Stabilized our prices. Most of the rest of the countries came in with their quotas, but they were very minor suppliers. My recollection is collectively outside of the Philippines they supplied us annually only around 400,000 tons, actually less than 50,000 during the Korean crisis.

Senator McCARRHY. You did not give it a try by giving them larger allocations. Here you had a program. What happened to sugar prices between 1937 and last year?

Mr. MYERS. Between 1937—

Senator McCARRHY. Of course, you say you had Cuba. Let us just say yes, from the time that I have stated until last year, what did you pay for the raw sugar, 5 or 6 cents, was it not?

Mr. MYERS. In the post war period—

Senator McCARRHY. Well, from 1937 on.

Mr. MYERS. It was substantially 5½ cents that the foreigners got for sugar sold in this country against, perhaps, an average of 3½ cents in the world market.

Senator McCARRHY. That is right. That resulted in an unreasonable price.

Mr. MYERS. No; it was not an unreasonable price, but it did mean we differentiated, we said one country is a friend of ours double plus, and another country is not.

Senator McCARRHY. We said those countries that were supplying us should receive a fair price. This was better than going into the world market and buying sugar at 2½ cents or whatever it was selling for at that time.

Mr. MYERS. Of course, we said to some of our friendly countries, "We like you well enough to pay you a premium on your sugar." To others, "We like you but not quite that well."

Senator McCARRHY. Have we reached a point now where we are not going to distinguish between friendly countries and unfriendly countries in our general policies? Are we going to do that?

Mr. MYERS. I am not qualified to speak on the relation of our Government to foreign governments.

Senator McCARRHY. Well, I think as a citizen you are familiar with the fact that we do make distinctions between those countries we consider friendly and those we consider to be other than friendly.

In the Alliance for Progress we make distinctions, don't we?

Mr. MYERS. But that, Senator, is a very different matter. Take Latin American countries: We were saying to Cuba, "We will give you a quota of 3 million tons."

Others until recently received rather negligible quotas, and I think they were all very friendly countries of ours.

Senator McCARRHY. Well, do you think it creates better relationships to say, "Well, instead of making a distinction between one

country and another and paying a fair price to them for what they are producing for us, we are going to create good will by going into the world market," which was the proposition you brought up to us last year, and buying sugar at the global market price at 2½ cents a pound, because if you do not believe that, then you should not be talking about recapturing \$180 million. If you did not expect to provide the sugar at less than the American price at something like 2½ cents a pound, you were not going to recapture the \$180 million, were you? How were you going to do it? You are now talking about stabilizing world prices at 6 or 7 cents. If you are going to stabilize world prices at 6 or 7 cents, where are you going to recapture \$180 million? You cannot.

I am just trying to make this consistent from one day to the next.

Mr. MURPHY. I think we are reasonably consistent about this. I think there are several things I might mention.

We do not look on the desirability or undesirability of a quota premium as something related solely to the help to other countries. We do not look at it solely from that standpoint.

We are interested in their friendship and their welfare. We are also interested in the cost of this program to the United States. But as to the standpoint of these other countries, it seemed to us that the global quota would tend to stabilize the world price, that it would remove this invidious distinction between one friendly country and another, and that on the whole, it would do as much for friendly countries as the country quotas would do and perhaps distribute the benefits of trade with the United States in sugar on a fairer basis than would the country quotas.

Senator McCARRHY. Then you did not really expect in the long run to recapture very much money through the years, even though you said it would be \$130 million next year, and it would be more than that in the years ahead, because if you stabilized world prices at something like 6 or 7 cents a pound, there would be no recapture?

Mr. MURPHY. We hardly expected to stabilize world prices at 6 to 7 cents a pound. I think we did expect to stabilize them at something more than 2 cents a pound or to help stabilize them at something more than 2 cents a pound.

Senator McCARRHY. Well, more than 2 cents. It was generally accepted that 2½ cents involved extortion, almost, of the workers and the producers of sugar in these countries. Was this our objective? If it is, again how does it square with the coffee agreement which has the purpose of stabilizing prices so that the producers can get a fair return?

Mr. MURPHY. I think the purpose, generally speaking, is the same as under the coffee agreement, as I understand it. In both cases, it is to help to stabilize the world price, with benefits relatively uniformly distributed among supplying countries.

Senator McCARRHY. Let us take the case of coffee: What happens to the prices the American consumers pay for coffee when, say, the world price goes up by 1 cent? How much more does it cost us to buy coffee? How does it affect the balance of payments? How much will the outflow be increased if the world price of coffee is kept at whatever the imported price is now, say 35 instead of going down to 30?

Mr. MURPHY. I frankly do not know.

Senator CARLSON. If I can answer that, \$35 million for 1 cent; \$70 million for the American consumers.

Senator McCARTHY. So in effect, to keep the price of coffee from going down, for every cent we hold it up, it is going to cost the consumers at least \$70 million?

Senator CARLSON. \$35 million in our Nation.

Senator McCARTHY. \$35 million for each cent. Five cents would be five times \$35 million, which would have that effect on the balance of payments. So in one case you say sugar is going to save money when the price goes down; in the other case we are going to hold it up to keep it from going down; and in each case we argue from the same virtue.

Mr. MURPHY. I think in each case we are arguing for a program that will help to relieve the distressed price of the commodity in the world market, and the distressed price which is received or might be received by the less-developed countries, which are the supplying countries.

Senator McCARTHY. But if you relieve the distressed price, then you won't recapture any money, unless—

Mr. MURPHY. I think there is a difference between 2 cents a pound for sugar and 6 cents a pound for sugar.

Senator McCARTHY. Four cents.

Mr. MURPHY. Which relatively is quite—

Senator McCARTHY. What happens if the world price is stabilized at 4 or 5 cents?

Mr. MURPHY. Sir?

Senator McCARTHY. If it is stabilized at 4 or 5 cents, do we recapture it?

They are not going to pay anything here, with insurance and transportation they will pay very little, is that right?

Mr. MURPHY. We would certainly recapture something at 4 cents, and even at 5 cents.

Senator McCARTHY. It depends. If ours were seven, I suppose you might. But if it were six, you would recapture nothing.

Mr. MYERS. The objective of our act is, at the present price level, 6.6 cents a pound, allowing 62½ cents a hundred pounds for tariff, and somewhat over 30 cents for shipping, or \$1 a hundred pounds would be a big differential. Therefore, if the world price were 5 cents, we would presumably have an import fee of six-tenths of a cent a pound.

Senator McCARTHY. Well, I think, Mr. Chairman, we had better let this Sugar Act run another year. It is no good anyway, and then we will come in and see whether the Department was right last year, whether I was right, or whether circumstances have so changed that neither of us can prove we were right, and then we can look at the Sugar Act again.

Mr. MURPHY. There was certainly a marked change in circumstances and this I think I mentioned the other day, in a sense it is the same kind of thing that happened to oranges and citrus fruits in Florida.

The weather had a lot to do with the results in both cases, I think.

The price of orange juice is almost double what it was a year ago, like the price of sugar. I hope, like the price of sugar was 2 weeks ago, let me say. While there seems to be not very much relief for the price

of oranges, in that case, for the rest of the year, we have very substantial hopes, which tend to be borne out by the recent price trend in the case of sugar, that the rest of the year will be much more favorable than the month of May was.

Senator McCARTHY. I have no further questions.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Chairman, I want to say I concur in what Senator Carlson has said about the desirability of more domestic production, particularly of more beet sugar, and I certainly concur with the distinguished Senator from Minnesota, Mr. McCarthy, on this theory of this Sugar Act.

Now, this current price rise, there is nothing about the domestic production that brought it about, is that correct?

Mr. MURPHY. That is the case.

Senator CURTIS. As a matter of fact, the domestic industry performed as expected, and very well?

Mr. MURPHY. This is true.

Senator CURTIS. Yes.

How much more does the American housewife pay for sugar than the housewives in other principal consuming areas?

Mr. MURPHY. I simply do not have the information on this except on a spot basis. I understand in the case of Canada, for example, the price of sugar is, perhaps, a little higher than it is here. In the case of Mexico, it is very much lower, because they have quite a different sugar system. In the case of Britain, I believe the price to the housewife is lower than it is here, because they, too, have a different system, where they enter into long-term supply contracts under which the government agrees to buy and others agree to sell the sugar, or a major part of the consumption requirements.

Senator CURTIS. In the country-by-country quota that existed prior to this act, say, under the 1958 act and before, a country was given a quota, and we were paying them the American price, were we not?

Mr. MURPHY. That is right.

Senator CURTIS. And under this law, do we pay them the American price?

Mr. MURPHY. There was, of course, a tariff involved.

Senator CURTIS. Under this law, do we pay them the American Price?

Mr. MURPHY. We do.

Senator CURTIS. If the world price goes down?

Mr. MURPHY. If the world price goes down?

We would not. We would recapture the difference between the world price and the U.S. price as to the global quota sugar.

Senator CURTIS. Was there a change in the price arrangement for the country-by-country quota?

Mr. MURPHY. Sir?

Senator CURTIS. Was there any change in the price arrangement for that part of the country-by-country quota?

Mr. MURPHY. On the country quota sugar, there is an import fee which is smaller than the import fee on global quota sugar. As I recall the first year—

Senator CURTIS. No; but I am comparing country-by-country price now, as prior to the last act.

Senator McCARTHY. Ten percent.

Senator CURTIS. We pay them less now than we did under the old act, is that not right, a less guaranteed price?

Mr. MURPHY. The only difference would be the import fee which they pay on import country quotas, which, for the first year, was 10 percent of the other quota premium, the quota premium on global sugar; the second year, 20 percent; and after that, 30 percent at the end of the second year, if the world price were lower than the U.S. price.

Senator CURTIS. Yes.

In other words, the change that was made was, I think, along the lines, as outlined by Senator McCarthy, that, prior to this act, a country knew several years in advance how much they could sell here, and they knew it would be the American price, did they not?

Mr. MURPHY. There was, I think, a considerable amount of uncertainty here, Senator, because all this was involved with the Cuban quota. Most of the sugar we are talking about——

Senator CURTIS. I am talking about over the years.

Mr. MURPHY. I am talking about over the years, also.

Senator CURTIS. Yes, sir.

Mr. MURPHY. Prior to the advent of Castro in Cuba, the quotas that other countries got, leaving out Cuba and the Philippines, were only about 400,000 tons.

Senator CURTIS. Regardless of what it was, even Cuba, all the foreign purchasers of sugar, they knew several years in advance how much we wanted to buy or thereabouts, is that not right?

Mr. MURPHY. For the duration of the act then in force, they knew.

Senator CURTIS. And they knew they would get the American price for it, did they not?

Mr. MURPHY. Yes.

Senator CURTIS. That was a very valuable thing to them, was it not?

Mr. MURPHY. Well, it was, I think——

Senator CURTIS. They all wanted it continued, did they not?

Mr. MURPHY. I think the value was severely limited by the size of the quotas.

Senator CURTIS. I understand that.

Mr. MURPHY. Again, in the case of all except these two countries, the total quotas were only 400,000 tons.

Senator CURTIS. But it was a valuable asset and all of them wanted to keep it and they wanted their quota increase, did they not?

Mr. MURPHY. So far as I know, this is true.

Senator CURTIS. Yes.

Mr. MURPHY. I am certain it was true as to all of them that I heard of. I think it must have been true.

Senator CURTIS. That gave them an incentive to deliver to us even if now and then, it was very rarely, the world price exceeded the American price, is that not true?

Mr. MURPHY. There is, I think, there was, then, such an incentive, and I think there is an incentive of that kind in the present system to the extent that there are country quotas.



Senator CURTIS. Yes.

Now, are you familiar with committee print, "Special Study on Sugar, 87th Congress, 1st Session," dated February 14, 1961? It says a "Report of the Special Study Group on Sugar of the U.S. Department of Agriculture."

Mr. MURPHY. I do not think I am, sir.

Senator CURTIS. Are you, Mr. Myers?

Mr. MYERS. Yes.

Senator CURTIS. You were a special consultant?

Mr. MYERS. That is right.

Senator CURTIS. It discusses the various plans for operating sugar. I think it was right then, and I think it is right now.

#### QUOTA SYSTEM

Since 1934, the basic approach to achieving U.S. sugar policy goals has been the quota system. By allocating quotas to both domestic and foreign producers, the total supply of sugar available is carefully controlled. Under the quota system, the United States has had fully adequate supplies under all but the most extreme wartime conditions. A quota system represents the highest degree of control among the alternative approaches.

Important considerations are—

and then it lists 10 of them.

- (1) Adequate supplies of sugar are best assured under this approach.
- (2) Prices can be kept relatively stable—

and they were, were they not, throughout 1940?

Mr. MURPHY. This is my understanding.

Mr. MYERS. That is all written against the background of a world surplus, of course, and higher U.S. prices than world prices, and I am sure you are not proposing that we maintain domestic prices today above world prices.

Senator CURTIS. No. No.

I think that the purpose of the act was adequate price to producers and not an excessive price to consumers, and that was maintained under this act, and that these countries that admitted only a small quota previously wanted an increase, and could have handled an increase, when we renewed the act last time.

Mr. MURPHY. Since you have been interrupted, Senator, let me say, although I am not familiar with that study, I would suppose from what you said, when it referred to the "sales quota system," it means the entire system.

We do have a quota system, and the most important part, perhaps, are our domestic quotas, and I think one of the differences we have spoken about rather vigorously here is not whether we are going to have a quota system, but as to what kind, as to a particular part of it, whether it is going to be global or country-by-country quotas.

Senator CURTIS. Now, continuing:

- (3) U.S. raw sugar prices have been above world free sugar prices most of the time.
- (4) Sugar under quotas, domestic sugar prices can be maintained at a desirable level.

Then it goes on to say, and I will have the whole thing put in the record here, "A global quota is a possible alternative to our present foreign quota allocation system."

But this study, which was an awfully good study, also says: "It"—meaning the global system—

would have a disadvantage of the possibility of a few countries eventually emerging as dominant suppliers, leaving the United States vulnerable to another "Cuban" type development.

Mr. Chairman, I ask consent that from this pamphlet I have identified, the report on "Quota System," beginning in the middle of page 66 and ending about three-fourths of the way down, and 67, be printed in the record complete.

The CHAIRMAN. Without objection.

(The excerpt from the report referred to follows:)

#### QUOTA SYSTEM

Since 1934, the basic approach to achieving U.S. sugar policy goals has been the quota system. By allocating quotas to both domestic and foreign producers, the total supply of sugar available is carefully controlled. Under the quota system, the United States has had fully adequate supplies under all but the most extreme wartime conditions. A quota system represents the highest degree of control among the alternative approaches.

Important considerations here are:

1. Adequate supplies of sugar are best assured under this approach.
2. Prices can be kept relatively stable.
3. U.S. raw sugar prices have been above world free sugar prices most of the time.

4. Under quotas, domestic sugar prices can be maintained at a desired level.

5. The balance between foreign imports and domestic marketings can also be maintained although subject to the difficulties enumerated in point 10.

6. A predetermined quota gives both the domestic and foreign industry a sound basis for careful production planning.

7. Precise scheduling of raw sugar deliveries to east coast and gulf refineries has kept domestic industry storage and handling costs down.

8. Domestic quotas tend to be assigned on an historical production data basis which tends to retard development of new production areas.

9. United States has been an attractive market for sugar. The 15 countries which have quotas want increases. Many other sugar producing countries also want to be included.

10. United States has the delicate job of deciding the proportion of U.S. requirements to be produced domestically and who our foreign suppliers shall be, as well as the quota each receives. The potential production capacity study reported in sections V and VI points up the real dilemma the United States faces if the quota approach is continued. Section V reflects the strong demand for increased domestic quotas in the next decade at current level of returns. The choice lies between lowering the price, sure to be resisted; tighter domestic controls with little opportunity for new areas to develop in sugar production; or a greatly expanded domestic allotment which would complicate U.S. leadership in the liberalization of trade on a multilateral nondiscriminatory basis.

The current Cuban situation complicates continuance of the quota approach. If Cuba's quota of about 3 million tons were to be allocated to other suppliers—either foreign or domestic—it would be extremely difficult for her to reenter this market with any sizable quota if and when the political climate in that country makes reentry into our market practical.

A global quota is a possible alternative to our present foreign quota allocation system. The United States would merely determine the total quantity of foreign sugar needed and this would be filled on a "first-come" basis. The quota premium would be absorbed by the Government. Thus, the foreign exporters would receive the "world free market" price. This alternative would have the advantages of: being more nearly in line with U.S. foreign trade policy; not being dependent on any specific countries for our supplies; permitting new foreign production areas to develop. It would have a disadvantage of the possibility of a few countries eventually emerging as dominant suppliers, leaving the United States vulnerable to another "Cuban" type development.

Senator CURRIS. I think, Mr. Chairman, that the witnesses have been very patient here a long time. Many of the points I wanted to cover have been covered by others, and this is no reflection on you, gentlemen, and I think that everybody in back of this table acted in absolute good faith, but I recall a drive by the distinguished Senator from Illinois and by others over there, they did not want foreign countries to be assured part of this market.

They talked about the American consumer; let us have a global quota, and let us buy at the world low price.

Their philosophy prevailed pretty much, so far as our foreign purchases are concerned.

Now, I grant you that the Cuban situation has to be taken into account. It was the source of concern, a great portion of it, but I point out that the quota system worked with Cuba. The quota system was beneficial to the Cuban producer, was beneficial to the American consumer. It was fair—I do not think the amount of it, but the operation of it was fair—to the domestic producer, and never did we have an agricultural program for any commodity that worked with the success that the basic Sugar Act did.

The consumer was well taken care of, supplies were maintained, an adequate price was maintained to producers. The Treasury made a profit on it. The only objection I could ever find with it was the domestic quota was not big enough, and that is still my position.

I am grateful for what was done in the last act in that regard. I am not critical of the Department of Agriculture. I think one of the biggest problems we have is the cost of the plant, some \$15 to \$18 million. That is what has held it back, and my State has not gotten a processing plant yet.

But we had an excellent act that was serving everybody concerned, making a profit for the Treasury, and we made the mistake of rocking the boat. I do not want to cut you off. But that is all of my questions.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Mr. Secretary, I hate to prolong this, but there is no way for me to move up in this line on questioning. I always have to be last and always the last one to hold up the witnesses.

Let me ask you on this thing:

As I understand it, you say now that you may reexamine your entire policy of how much can be produced domestically, is that right?

Mr. MURPHY. How much should be produced, I will say.

Senator HARTKE. I understood you to say—

Mr. MURPHY. We have some ideas of how much could be, but how much should be.

Senator HARTKE. How much should be?

Mr. MURPHY. How much should be.

Senator HARTKE. This is both for beet and cane sugar?

Mr. MURPHY. That is right.

Senator HARTKE. In other words, you feel that this reexamination is due for both beet and cane sugar production domestically?

Mr. MURPHY. I do.

Senator HARTKE. All right.

How soon and when will this reexamination take place, and who is going to do it?

Mr. MURPHY. Well, from my end of the street, I expect we will be working on it during the coming months. I would think it is not

the kind of problem to deal with on an emergency basis, I believe, and that it might actually be reexamined next year, when, again, there, naturally, would be further consideration of changes in the Sugar Act, because the country quotas, the foreign quotas, do expire at the end of 1964.

So, unless we are going to let them lapse, it will be necessary to act on the legislation again next year.

Senator HARTKE. Yes.

But that would have been done under any circumstances?

Mr. MURPHY. That is correct.

Senator HARTKE. So that is really nothing, not a great pronouncement of anything new, is it?

Mr. Murphy. No.

Senator HARTKE. I took it a while ago this was something that resulted—as a result of what happened here, a reexamination was going to be made. I thought this was developed in view of the answers, that in view of the rise in price, there was going to be an immediate reexamination of this.

Mr. MURPHY. The situation we have this year, Senator, is, so far as I know, unprecedented.

The rise in price is one manifestation of it. The basic situation that is new, though, is the supply-and-demand relationship. We have never had anything like this happen to us before. It was, I think, because it has happened this time, it would be wise for us to examine rather generally the policies and look at the possibilities of providing additional assurance in the future to protect us against this kind of possibility again, if it might happen again.

I think included in the things that might be examined are not only whether or not we should produce more of our sugar domestically, but whether we should enter into long-term procurement contracts with foreign countries.

There, again, is something that you cannot do immediately, because that is the kind of thing you would want to do when the world situation was not so tight.

Senator HARTKE. All right.

Has the demand changed much, really?

Mr. MURPHY. The actual consumption has not changed much. That has been rather constant at about 103 to 104 pounds per capita, per year.

Senator HARTKE. I am talking about the world demand. Has the world demand changed much?

Mr. MURPHY. The world demand has been going up, first, because of the increase in population, and to some extent because, or, rather, general increases in income throughout the world.

Senator HARTKE. Has the world consumption gone up proportionately more than the increase in population?

Mr. MURPHY. I believe that it has.

Senator HARTKE. In that, was there any indication that the Soviet bloc took more than they could use from Cuba particularly?

Mr. MURPHY. According to such information as I have, there would be some indication, some suggestion of that possibility.

Senator HARTKE. Well, here—

Mr. MURPHY. For example, within the last week there have been stories in the press, which I think are probably accurate, that the Soviet Union permitted Cuba to sell in the world market a million tons which they had previously agreed to sell to the Soviet Union. This would be an indication that the Soviet Union could get along without that million tons.

Senator HARTKE. This is what I was getting at. What you said was that Cuban production was down about half; is that right?

Mr. MURPHY. Roughly a half.

Senator HARTKE. And most of this was in purchase to the Soviet bloc purchases, really, Russian?

Mr. MURPHY. That is right.

Senator HARTKE. For what price, have you any idea about the price at all? Was there any—

Mr. MURPHY. I have some information which I do not vouch for, or guarantee, but it is that roughly 20 percent of the sugar was to be paid for in cash, 80 percent was to be paid for in barter. And the barter was part of it and was to be paid for nominally at world prices. Now, this, of course, would involve the question of the prices that were put on the bartered materials that came from the other end.

Senator HARTKE. What is the world price now?

Mr. MURPHY. The world price moves around so rapidly that I cannot keep up with it. But it is around 9 cents, I think.

Mr. MYERS. 9.65.

Senator HARTKE. 9.65.

Have you any information to indicate that Russia is purchasing sugar or bartering for sugar at this price?

Mr. MURPHY. We have this indication, I just mentioned that it is my understanding, at least based, I suppose, on newspaper reports—I have no reason to doubt—that the agreement is that the payment is to be made at the world price, the current world price.

Senator HARTKE. The current world price.

There is no indication that there was an agreement that they would take this at a price which was established far below the world price or at prices which were established before this increase occurred?

Mr. MURPHY. I do not have any information other than that I have mentioned as to the barter part of it.

Mr. MYERS might have some additional information.

Mr. MYERS. Senator, the Russians, as I recall, bought 1 million tons of Cuban sugar in 1959 at a price of 3.79, which was the world price at that time.

Then in 1961, they reported at the International Sugar Council that they and other Communist countries, including Red China, had entered into a collective agreement with Cuba to buy 4,860,000 metric tons a year for 5 years at a price of 4 cents per pound.

However, they were to pay only 20 percent of that price in money and 80 percent in goods, in barter, and, of course, under a barter program the question of what the price is actually depends upon what they charge for the goods they give Cuba.

Senator HARTKE. What is the production estimated for Cuba this year?

Mr. MYERS. Something below 4 million tons, 4 million short tons, so that obviously Cuba cannot supply the 4,860,000 metric tons. But,

as the Secretary has pointed out, trade reports indicate that Cuba will sell some tonnage on the free world market.

Senator HARRKE. In addition, where did the Russians and the Soviet bloc obtain their sugar, basically, before this barter, before this agreement was made for the 4.8 million metric tons?

Mr. MYERS. The Soviet Union was an irregular importer of sugar from Cuba. Some years its imports were rather sizable, went up around half a million tons; other years they had fallen to nothing.

I happen to have the figures before me published by the International Sugar Council. The U.S.S.R.'s imports of Cuban sugar amounted in round figures to 135,000 metric tons in 1959, 1,468,000 in 1960, 3,345,000 in 1961, and 2,232,000 in 1962.

Russia also imported sugar from Czechoslovakia, Poland, Hungary. Those quantities were much smaller, and, of course, as you know, Russia is a huge producer of beet sugar itself.

Senator HARRKE. All right.

Now, then, in the overall supply, since the demand did not change, where did the drop in production and supply occur, principally?

Mr. MYERS. It occurred principally in two places, Cuba and Europe. In Europe the drop in production came as a result of very unfavorable weather and poor beet crops in 1961 and 1962.

Senator HARRKE. How much was that estimated drop in Europe?

Mr. MYERS. It dropped from a peak of 15.8 million tons to about, in 1960, to about 13 million tons in 1961, and to 12.3, I believe it was, in 1962.

Senator HARRKE. Has anybody ever considered the possibility that this was a manipulated increase in price by the Russians?

Mr. MYERS. Senator, the Russian purchases of Cuban sugar naturally disposed of a lot of sugar from the world market, but the drop in production and in supplies alone would seem to account for this rise in world prices until this scare buying took hold, and then we had the stockpile buying or hoarding; call it what you wish.

Senator HARRKE. I do not understand that, because, as I see from the figures you have given me, you show there have been purchases by the Soviet Union of an additional approximately 3 million tons, and you show that, forgetting Cuba for the moment, because Cuba is outside the free world trading bloc, there was only a drop in the European market there of approximately maybe a little over 3 million tons.

Mr. MYERS. Yes; but keep in mind, prior to Cuba going within the Iron Curtain, its sugar mostly came on to the free world market.

Senator HARRKE. Yes; but that was prior to this increase in price.

Mr. MYERS. Through the 1960-61 crop year there was a growing, and rather huge, world stock of sugar. That was whittled down a bit the following year. It was whittled down a lot more in the current year, but actually prices did not start responding quickly. The world did not seem to pay too much attention to it until about last October. I mention that month because as late as last October, France sold sugar to Western Germany at a reduced price to use for livestock feed. The price did not really start going up until December.

Senator HARRKE. What happened then to cause the price to go up in December, worldwide price?

Mr. MYERS. Gradually, a realization that the supply situation had passed from a surplus to a shortage. Europe was pretty well through

with its beet harvest; it saw then it was going to have to start buying sugar.

Gradually, there was a realization that the Cuban production was going downhill, and you could not count on Cuba for free world supplies.

And keep in mind they had been selling sugar to the free world as well as to Russia. In other words, that the production of the world was below the level of world consumption.

Senator HARTKE. This is something that maybe I am wrong, and I just do not seem to follow you too well.

On the one hand, you are contending there is a drop in the overall supply and, yet, you still indicate that there seems to be sufficient around.

What seems to me to be pretty pointed is the fact that you are dealing with about 3 million tons in the world market, is that not right?

Mr. MYERS. The drop in the world production has been more than that, a drop from a peak of 60 million tons in the crop year 1960-61, to 56 million the following year, and to something probably a little less than 56 million this year.

Senator HARTKE. That is 3 to 4 million tons, that is what you are playing with, is that not right?

Mr. MYERS. That is about it.

Senator HARTKE. And the Russians, themselves—

Mr. MYERS. And also the reduction in the stocks you had as a result of those reductions.

Senator HARTKE. But the real thing about it is that you have had here a request, you have had here a purchase, by the Soviet bloc, and the Chinese Communists, of about an additional 3 million, which, heretofore, were not utilized.

In other words, they, all of a sudden, agreed they are going to take about 3 million tons of sugar they had not been using heretofore?

Mr. MYERS. Certainly, that has affected our total world demand for sugar, Senator.

Senator HARTKE. All right.

And this demand is an artificial demand as far as we can account for it; is that not right?

Mr. MYERS. I do not know whether you can call it artificial. They bought it at certainly a very special price, 1.6 cents a pound in money and the rest in trade goods.

Senator HARTKE. So they are in a pretty—yes, 1.6 cents a pound. Here is what they have done. See if this is right. What they have done here, they moved off from this market 1.6 cents a pound, they picked up the additional 3 million tons they had on hand that heretofore they had not been consuming; is that right?

Mr. MYERS. I think, undoubtedly, their consumption has increased as a result of getting these supplies.

Senator HARTKE. But not this much. Has it increased 3 million tons as a result?

Mr. MYERS. I cannot speak as an authority on what goes on inside of Russia. I am sure from reports we receive that their stocks are more adequate than they were, and I assume that their consumption has increased.

Senator HARTKE. It is quite evident the winter hit Poland and Czechoslovakia as much as it hit the Western European countries, did it not?

Mr. MYERS. Yes.

Senator HARTKE. And all of a sudden you see them releasing Cuba from the obligation of selling 1 million metric tons to sell to them; is that not true?

Mr. MYERS. Yes.

As I say, Cuba has been selling part of its supplies in the world market.

Senator HARTKE. Yes, but there was a release by the Soviet bloc of 1 million tons, by Russia?

Mr. MYERS. I do not so understand. I think what the Soviet Union apparently agreed to do was to take that much less Cuban sugar and let Cuba sell that quantity on the world market.

Senator HARTKE. Which is the same effect; is that not right? In other words, if I am going to take 1 million tons from the Cubans and then I do not take 1 million, this releases an additional 1 million for the world market; is that not right?

Mr. MYERS. Certainly, it gives this supply to the world market.

Senator HARTKE. For whatever effect this is, this goes into the world market at what price would you say, Mr. Murphy?

Mr. MURPHY. Well, the current world price they have been selling, they have been selling it, according to trade reports and that is all I know, is trade and market reports, that they have been selling into the world market all spring.

Senator HARTKE. At what price?

Mr. MURPHY. At the current world price, I assume.

Senator HARTKE. What price is that again?

Mr. MURPHY. Well, it has gone up to a peak of 13.2 cents, and now, yesterday, to 8.5—no, I beg your pardon—9.65; 12.60 at the peak, to 9.65.

Senator HARTKE. What we have here is a situation where the Cuban economy now is able to move from roughly sugar which they were disposing of under certain conditions at maybe 1.6 cents, with the complicating factor of additional reduction, even if it were up to 2 or 3 cents of the barter consideration, up to 9.6 cents, the world market?

Mr. MURPHY. Well, that part they succeeded in selling.

Senator HARTKE. Now, if you were in charge of an operation to help, basically, the Cuban economy, how could you have helped it more, other than increase their production of sugar supply?

Mr. MYERS. Certainly the Cuban economy has been benefited to the extent that they have supplies to sell. Unfortunately for them, of course, they have this drastically poor crop as the result of, I would say, rather typical Communist mismanagement of agriculture.

Senator HARTKE. I am not going to ask you to comment on aluminum. I do not suppose Agriculture deals in aluminum, but about 3 years ago the Russians moved into this same type of operation in aluminum. That is, where they built the price up and suddenly released aluminum. They went into the British market.

They did the same thing with the Soviet oil.



Has anybody in the Department considered this might be the Soviet sugar offensive where they got into the situation where they would try to manipulate prices?

Mr. MYERS. Certainly, Senator, I am not going to engage in the defense of communism in any part of the world, U.S.S.R., Cuba, or elsewhere. However, I will report that, according to market information that is published in the press, Cuba sold the free world about 1.4 million tons of sugar last year. It formerly sold the world market 2.5 million tons a year or more, but after we stopped taking from Cuba, Russia took that over.

Now, Cuba has been selling small quantities of its sugar, as I understand it, to the free world market all during the year.

And, of course, to deny the free world market that quantity of sugar would, presumably, push the price still higher.

Senator HARTKE. Let me ask you another question in the situation and see if this rings a bell with you at all. If you had 1 million metric tons all of a sudden dumped into the American market tomorrow morning, additional tonnage of sugar, would this bring the price down?

Mr. MYERS. Yes, indeed, it does, and if you were to dump it into the world market immediately, it will bring the world price down.

Senator HARTKE. Is that not the effect of what the Russians did?

Mr. MYERS. No; the Russians have not dumped this sugar into the world market.

Senator HARTKE. They had a commitment and contract with Cuba for 4.8 million, is that not right?

Mr. MYERS. That is correct.

Senator HARTKE. And this contract they are now relieved from fulfilling to the extent of at least 1 million, is that not right?

Mr. MYERS. Obviously, Cuba did not have the sugar to deliver to them.

Senator HARTKE. This would be added to the amount they would be selling in the world market, is this not correct?

Mr. MYERS. That is not what I have heard. It is my understanding that this is the sugar Cuba has been selling and Russia has announced that it has formally released Cuba from delivering to them.

Senator HARTKE. I take it you are not suspicious of them. I am, and I just would hope that maybe somebody there would be suspicious of these people trying to manipulate the price.

Mr. MYERS. Senator, please, sir, do not accuse me of being unsuspecting of communism.

Senator HARTKE. I am not trying to accuse you of that. I am sorry if you felt that way.

Let me say that with whatever effort you are putting forth in this field, let us redouble them, and I would feel a little better; all right.

Mr. MYERS. I did not get that last.

Senator HARTKE. In other words, what efforts you have made in the field of being suspicious about them, let us redouble our suspicion and our efforts to find out whether there is anything in there.

Mr. MYERS. I should be glad to cooperate with you in that endeavor.

Senator HARTKE. Now, in regard to domestic production again, as I understand it, Mr. Murphy, the indications are that there will be

no change, then, recommended by the Department for domestic production until at least after the expiration of this act at the end of 1964?

Mr. MURPHY. I do not think it is likely that we will make any recommendations to this session of Congress on that particular point.

Senator HARTKE. That is primarily due to the fact—

Mr. MURPHY. I would suppose, naturally, that the question will certainly present itself at the next session of Congress as to the renewal of the foreign quotas, and I think this will be a part of the whole matter that will need to be considered at that time.

Senator HARTKE. Do you feel that there would be no reason that we might profit from an immediate examination of the domestically produced sugar?

Mr. MURPHY. I am inclined to think not, Senator. We have taken off proportionate shares, that is, restrictions on production of sugarbeets, for this year, 1964, and 1965; sugarcane for this year and 1964.

Now, the question remains that we talked about earlier: That, in fact, there is a practical limitation, because growers will produce sugarbeets only if they have a place to market, and it requires some capital for the grower, himself, to shift from production of some other crop to sugarbeets. It requires additional capital for someone to construct a mill in which these sugarbeets can be processed.

They are reluctant to do this unless they have long-term assurances of being able to market this sugar.

Senator HARTKE. I have a Hoosier—

Mr. MURPHY. I must say I would not want this to be taken as even my final, personal judgment, and my personal judgment is not necessarily that of anyone else, but I would think it unlikely we would make any recommendations on this to this session of Congress.

Senator HARTKE. Can I persuade you to change that "unlikely"; that at the moment you are not persuaded to move in that direction, and that the likelihoods will be determined as conditions change either favorably or unfavorably?

Mr. MURPHY. I certainly would.

Senator HARTKE. I would like to keep this open. I have a Hoosier interest in this. We have been trying to get into that sugarbeet production, and we are locked out. We have a surplus of corn and surplus of wheat down there, and we would like to get into that sugarbeet production, but you people will not let us in.

Since we have unlimited wheat production, I do not know what the price is going to be. I am still hopeful we can get in somehow.

Mr. MURPHY. In the sugarbeets?

Senator HARTKE. That is right.

Mr. MURPHY. You could get in, all right. I think what you need is the long-term assurance.

Senator HARTKE. That is right.

Mr. MURPHY. Well, I will say now that we will go back and examine this on an accelerated basis.

Senator HARTKE. That certainly is very encouraging.

Senator McCARTHY. Mr. Chairman, could I ask a question of the Secretary?

You indicated you had recaptured something between \$34 and \$39 million.

What country, primarily, pays that to us? Your original 180 premium recapture pretty much was turned down. And then you cut it down to what, 140, and you had some takers—what country? Was it Brazil, primarily, that took sugar at that time or offered sugar or provided sugar?

Mr. MURPHY. I do not know, Senator. Most of it, \$34 million, was on global quota sugar that came in, in the last half of 1962.

Senator McCARTHY. Yes.

Mr. MURPHY. So I think we might, if Mr. Myers does not have this at his fingertips, I think perhaps we could reconstruct this, by and large, from the information we do have.

Senator McCARTHY. Indicating one rather large acceptance, I thought it was Brazil.

Mr. MURPHY. Most of that information we have talked about as to global quota has related to 1963. Now, most of this money in import fees was collected in 1962.

Senator McCARTHY. Right.

Mr. MURPHY. We only got something over \$3 million of the import fees in 1963.

Senator McCARTHY. I know.

But what countries were supplying in 1962 when the import fee was effective? Where did you get most of the sugar, or which import fees were imposed and premium recaptured?

Mr. MYERS. Senator, I think I have a table here that gives it. It is as of September 30, 1962, and, therefore, may not be complete. It does cover 582,000 tons of raw, global quota sugar from July 1 to September 30, 1962.

Australia was the largest among those with 133,000 tons; Brazil second, with 105.

Senator McCARTHY. That was up to what date?

Mr. MYERS. Up to September 30.

Senator McCARTHY. Nineteen what?

Mr. MYERS. 1962. That would be the country charges. It would not necessarily mean that the sugar had arrived in this country by that date.

South Africa, I believe, was next with 74; Dominican Republic, with 68; Turkey, with 66, approximately; and from there on, they were small. The Republic of China, with 51,000.

Senator McCARTHY. From September until December, the amounts received were relatively small, were they not?

Mr. MYERS. I think the amounts charged to quota in that period were small. I would like to examine the figures to be certain about it. But from recollection, I would think they would be small.

Senator McCARTHY. Was it a fact that during that period you were asking for what, \$1.80 a hundred premium?

Mr. MYERS. \$2.40 a hundred pounds, Senator, and these global quotas were grabbed up immediately. That is why I am reasonably certain that these are close to the final figures. As a matter of fact, we insisted that the countries either ship us or let us know that they had a definite and rather early shipping date on their country quota sugar for that period before we would give them global quota assignments. In other words, we used the global quota to drive in the country quota sugar in the latter half of 1962.

Senator McCARTHY. The Under Secretary's testimony was, he said, on November 27, 1962, I think this is correct, as I read it, that you announced the import fee of 1.8.

Mr. MYERS. That is for 1963.

Senator McCARTHY. That is right.

He said in January—that is right.

Mr. MYERS. It became effective January 1.

Senator McCARTHY. Then, December 7, 1.4. It is indicated here that approximately 114,000 tons of sugar were allocated on December 26 of 1962. Most of this involved Brazil.

Mr. MYERS. Most of all it was Brazil; yes.

Senator McCARTHY. So on this the import fee would have been paid at 1.4?

Mr. MYERS. 1.4, that is correct.

Senator McCARTHY. That would be \$3.2 million fee on 114,000 tons?

Mr. MYERS. The preliminary announcement was made in November on the basis of prices then in effect, which gave a fee of \$1.80, but, officially, the fee must be established in December, and then it was set at \$1.40.

Senator McCARTHY. Mr. Chairman, I have no further questions of the Secretary.

The CHAIRMAN. Thank you.

Mr. Secretary, Senator Long is unable to be here today, and he asked me to propound this question to you. This is a long question from Senator Long.

It was brought out that, according to table III, the Department of Agriculture expects importations of sugar during the month of June to total 380,000 tons; July, 346,000 tons; and August, 388,000 tons.

These are heavy sugar-consuming months. Since the importations expected for September, October, and November average more than 500,000 tons per month, the inference is made that there will be some shortage of sugar arrivals during the heavy-consuming season.

Now, that is an oversupply just at the time that the Louisiana crop will come to market.

It has been suggested that the arrangements seem to be detrimental to sugar consumers, as well as to the domestic sugar industry, and the specific question has been advanced asking why such arrangements were made.

Mr. MURPHY. I will be glad to answer that, Senator, comment on it.

First, let me say that our effort has been to have the sugar brought into the country as early as possible. The reason more is not coming in the summer months is basically because more is not available to be brought in. We would be happy, indeed, if more could be brought in, in the months of June, July, and August, instead of the later months of September, October, and November.

I should say that actually we expect actual performance will be better than the schedule laid down, but we do expect that some of this sugar will be brought in earlier than we were able to indicate with some assurance in this table.

I think, though, that this is a very important consideration to have in mind here: That since there is this almost certain assurance of more than abundant supplies in the fall, this will have a twofold tendency that will help very much the supply and demand situation during this summer.

In the first place, it will lead users of sugar to delay their purchases until the fall when they know there is going to be this very ample supply. They will use sugar on hand more than they otherwise would; since they have stockpiled much more sugar, they have it to use.

On the other hand, I think potential suppliers will hasten to get this sugar in as fast as they can to take as much advantage as they can of the relatively high prices before they go down in the fall.

So if we had absolute authority or power to schedule this differently, we would, but I do not see that there is likely to be any actual shortage of sugar.

You will recall when I was here last week, that we testified that there is more on hand this year than there was last year. For example, we had between 11 and 12 weeks' supply.

So we think we have more than ample sugar during the summer and more than in the fall.

The CHAIRMAN. Thank you very much, Mr. Secretary, and Mr. Myers. You have been very patient, and I think you have made forthright answers to the questions.

We are always glad to have you before the committee.

Mr. MURPHY. Thank you, sir. We are glad to have had the opportunity to be here and we will, as rapidly as we can, supply all this information we promised to try to supply for the record.

The CHAIRMAN. I may call on you for something else before we make up the record.

We will let you know.

The meeting is adjourned.

(By direction of the chairman, the following is made a part of the record:)

THE BISCUIT & CRACKER MANUFACTURERS'  
ASSOCIATION OF AMERICA,  
Washington, D.C., May 27, 1963.

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

DEAR SENATOR BYRD: At the direction of the board of directors of the Biscuit & Cracker Manufacturers' Association, I am transmitting to you the enclosed resolution adopted at its annual members' meeting last week. The baking industry in its entirety uses some 1,800,000 tons of sugar annually, and this resolution is indicative of the serious concern felt by the industry in connection with the current sugar prices.

We earnestly solicit your support and that of your committee toward corrective action.

With kind personal regards.

Sincerely,

JOSEPH M. CREED, *General Counsel*

**RESOLUTION ON SUGAR**

Whereas manufacturers of biscuits, cookies, and crackers who use some 400,000 tons of sugar annually, and other consumers of sugar are presently faced with the most serious sugar price and supply situation in 40 years; and

Whereas sugar prices are continuing to spiral upward with no sign of cessation; and

Whereas this is a vital commodity in the food economy of the country; and

Whereas these rising prices penalize the consumer; and

Whereas the situation basically results from a world shortage of sugar and the operation of a Sugar Act not designed to cope with such a shortage: Now, therefore, be it

*Resolved*, That the members of the Biscuit & Cracker Manufacturers' Association in its 60th annual meeting assembled, respectfully urge the President of the United States to concern himself with the problem of sugar; and

Further, that he be requested to explore all reasonable methods to restrain higher sugar prices; and be it further

*Resolved*, That the overall sugar supply problem be promptly considered by the appropriate committees of Congress with a view to taking such corrective action as in their judgment seems necessary.

Approved: May 20, 1963; annual meeting, Brown Palace, Denver, Colo.

---

HOUSE OF REPRESENTATIVES,  
Washington, D.C., May 28, 1963.

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

DEAR SENATOR BYRD: I note that your committee plans to begin hearings tomorrow on the recent sharp increases in the price of sugar.

The large commercial users of sugar in my district advise me that there are persistent reports of very large stockpiles of sugar in the possession of wholesalers on the east coast, indicating that the price rises may be artificially stimulated. I trust that the subcommittee will investigate thoroughly all such reports.

Sincerely yours,

FRANK T. BOW, *Member of Congress.*

(Whereupon, at 1:25 p.m., the committee adjourned, subject to the call of the Chair.)

